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ABSTRACT

This document presents testimony and statements from one of a series of Congressional field hearings intended to critically review all the programs associated with the Higher Education Act of 1965. Issues addressed in the testimony and prepared statements include: How the United States can maximize the number of students, including non-traditional students and first generation students, in postsecondary education; ways the United States can encourage more students to pursue graduate studies, including women and minorities in under-represented fields; methods of improving the financial aid system in order to reach the entire spectrum of middle America; methods to improve educational quality; and ways of allowing students to choose from the entire spectrum of postsecondary opportunities while minimizing loan defaults. The testimony and statements also include numerous observations concerning the status of higher education in the State of New York. Persons testifying included several presidents, chancellors, and other top officials from various New York universities and colleges, as well as representatives of the American Federation of Teachers, New York; the Board of Education, City of New York, and student representatives. Fifteen prepared statements, letters, and supplemental materials are included. (GLR)

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965: NEW YORK, NEW YORK

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

HEARING HELD IN NEW YORK, NY, JUNE 24, 1991

Serial No. 102-64

Printed for the use of the Committee on Education and Labor

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

MONDAY, JUNE 24, 1991

House of Representatives
Subcommittee on Postsecondary Education,
Committee on Education and Labor
New York, NY.

The subcommittee met, pursuant to notice, at 9:05 a.m., at The Great Hall in D'Agostino Hall, New York University, New York, New York, Hon. Nita M. Lowey, presiding.

Members present: Representatives Lowey, Serrano, and Molinari.

Also present: Representative Owens.

Staff present: Tom Wolanin, staff director and Maureen Long, legislative associate.

Mrs. Lowey. I hereby call this hearing of the Subcommittee on Postsecondary Education to order.

It's a great honor for me to chair this hearing on the Reauthorization of the Higher Education Act, which contains all of our Nation's most important student aid and higher education programs.

The Reauthorization of the Higher Education Act will be the most important piece of social legislation considered by the 102nd Congress.

At this time of recession and uncertainty about our Nation's economic future, it has become more and more clear that we must have a highly skilled work-force if we hope to compete in the 21st century.

It is not an exaggeration to say that the very future of our Nation depends upon our ability to enact a strong reauthorization measure that will expand student aid and expand opportunity for America's students.

This year, under the able leadership of Education and Labor Committee Chairman Bill Ford of Michigan, the stage is set for meaningful change in higher education programs—change that will not only help our students achieve their dreams, but help our Nation spur economic growth and prosperity.

In order to ensure that we enact the best reauthorization measure possible, the subcommittee is holding approximately 45 hearings on this subject—many of them in different parts of the country. Already, some of the most important issues are clear.

In the interest of time, I will only touch on the two issues I consider to be of overriding importance.

First, we must expand aid for all American students, including the disadvantaged and the middle class.

Our Nation's families are feeling the squeeze when it comes to higher education.

College costs have risen by leaps and bounds, while the eligibility standards for many student aid programs have been tightened.

The result is that poor students have no chance, and middle-income students are finding that the American dream of bettering themselves is slipping out of their grasp.

The administration is now advocating that we further restrict eligibility for student aid.

Their version of "Robin Hood" is to steal from the near-poor to aid the very poor.

We should not tolerate this threat to the American dream.

We must expand aid for all Americans, including the poor and the working families whose hard work and tax payments make this Nation great.

I have introduced to legislation, the National Liberty Scholarship and Partnership Act, which provides a virtual guarantee to all disadvantaged young people in this Nation that cost will not be an obstacle to college attendance.

Moreover, I have cosponsored a bill, the Middle Income Student Assistance Act, to extend Federal student aid programs to middle-income Americans.

Second, we will not succeed in expanding student aid for any of our students unless the public has full confidence in the integrity of our Nation's higher education programs.

Defaults in the student loan program will cost the Federal Government in excess of $2.7 billion this year.

In fact, more than half of all Federal dollars for the guaranteed student loan programs are spent on default payments, rather than on education.

At this crucial time in our Nation's struggle to ensure economic growth, we cannot afford to waste Federal education resources.

Our Nation boasts the best higher education system in the world, and most of our Nation's educational institutions are providing high quality training for their students.

However, the quality of some postsecondary education institutions is poor, and some institutions are engaging in outright fraud.

We must take strong action during the reauthorization process to restore integrity to all Title IV student aid programs.

It is my own view that we should do so principally by preventing defaults before they occur, so that we do not in any way limit the access of students to quality higher education programs.

That is why I have cosponsored a bill, the Integrity in the Higher Education Act, along with Congressman Goodling of Pennsylvania, who could not be here today, which is designed to significantly strengthen the role of States in the approval of institutions of higher education.

This bill will help us improve the quality of higher education programs, while also saving the taxpayers large sums of money which are currently being wasted through fraud and abuse.

Today, we are privileged to have with us some of our State's most highly respected experts on higher education, who will offer their vision of the future for our Nation's campuses.

However, we will also hear testimony from two students who speak directly to the most important issues in this reauthorization.

One student from a disadvantaged background found that Federal student aid was not available to finance her dream of a higher education, and it was only through extraordinary hardship that her family was able to help her succeed.

Another student fell prey to a fraudulent trade school which bilked her, the Federal Government, and the taxpayers.

Their testimony about the failures of Federal student aid programs will be alarming, but it will also suggest to us a course of action for the committee as we promote legislative changes.

It is particularly fitting that this hearing is taking place in New York—not just because New York's students rely heavily on Federal student aid, but because the New York delegation is the largest on the House Education and Labor Committee.

I am pleased to welcome at this point my colleagues on the Subcommittee on Postsecondary Education, Congressman Serrano from the Bronx, Congresswoman Molinari from Staten Island, and I am also pleased to welcome the senior member of our delegation, Major Owens.

We are committed to making positive changes in the Higher Education Act that will directly benefit New York's students and New York's economy.

At this point, I will yield to my colleagues for their opening remarks.

Ms. MOLINARI. Thank you Chairwoman Lowey, and thank you for bringing us together during this very important time.

Clearly all of us here and in the United States Congress are extremely mindful of the challenge that is before us and the importance of the task.

We are dealing on a national level in every area of our country with limited resources and an unlimited need for those resources.

Like most other problems, that situation in that scenario is exaggerated in New York City where in some cases we have the poorest of the poor, the most wealthy of the citizenry and the grandest of dreams and possibly our best hope for tomorrow, here in New York City.

So we come together very mindful of our challenge and a bit overwhelmed by some of the difficult decisions we are going to have to make.

We're going to have to focus in on Pells versus student loans. Real investment questions correlating the need of higher education to guarantee success.

We are using this bill to fill individual voids, but perhaps we have to look at this bill also in terms of funding national voids, and giving a different perspective to filling those needs, such as teaching needs in mathematics and science as nursing professions.

How do we use this bill to solve a lot of society's problems? I agree with my democratic colleagues that the administration proposal causes us great concern.

It could, in fact, price out as many as six million middle-class students.

Middle-class students who will be virtually unable to secure a loan, because their family has a mortgage.

Driving up here today, with a very close friend of mine who is a former dean of the College of Staten Island and sits on the New York City Board of Education, he came up with a point and it is really mindful of where we are today.

The majority of our students will be paying as much for their college education, if not more than, their parents paid for their house where their children were born.

It's a very overwhelming situation we find our young people in and a very deciding moment for the future of our country.

So I will cut my opening statement short and also submit it for the record, because clearly we have assembled and we are grateful for their participation.

We look forward to your suggestions.

We desperately want to hear what you have to say and guide us at this critical point.

This is the last and most significant effort that we will be making as the United States Congress as we enter into the next century.

So the task before us is overwhelming, but what we could achieve from the results of today and hearings like this throughout this country, may be equally overwhelming on the positive side.

I just want to take this moment to thank these very important men and women for taking their time to present their views and their visions for New York City and our Nation's higher education system.

Mrs. LOWEY. Thank you, Ms. Molinari.

I would like to welcome our senior member of the delegation, Major Owens. Thank you for joining us, and we'll hear from Mr. Serrano next.

Mr. SERRANO. Thank you, Madame Chairwoman.

I'm very pleased that our subcommittee is holding this hearing in New York City.

Each of these hearings is important because they provide an opportunity to listen to the concerns and suggestions of both students and educators across the country.

Proposals which will help us in undertaking this subcommittee's task of improving the Higher Education Act upon its reauthorization.

I join my colleagues in thanking our host and former colleague President Brademas of New York University, for allowing the subcommittee use of this facility.

He's been sitting there for about a half an hour which indicates to him now what he used to do to witnesses when he sat over here.

We are at a serious crossroad in this country. We need to reassess and redefine the Nation's goals in terms of education to ensure among other objectives that our country has a properly educated and trained work force.

In doing so, we must seek new approaches. We must rid the present system of programs that do not work, without undermining or jeopardizing the programs that are successful in promoting the ability of students to pursue a higher education.

The President has sent American youth a crushing message in his budget proposal to free student aid programs for fiscal year 1992.

That is, that the administration is obviously unwilling to invest in programs that would make college accessible to all Americans.

Student loan defaults, grants and loans, efforts to simplify the financial aid process, improving minority student access, and increasing funds available to the various Title IV programs are crucial for fulfilling the goal of the Higher Education Act.

That goal is to make postsecondary education available to all Americans.

Minority students, access and retention is still a major problem in America today.

We must improve and promote the delivery of postsecondary education to minority students in tutorial, counseling and recruitment programs.

According to recent census data, minority populations have increased and thus, are becoming a larger proportion of the school age population.

Teacher shortages, and especially the shortages of minority and bilingual teachers, is such that an increased and a renewed effort must be made to recruit and professionally train teachers.

Teachers must be empowered to address the special educational, cultural and linguistic needs of second language minority students.

Later this week, I plan to introduce legislation establishing a teacher opportunity program to enable paraprofessionals working in targeted schools to become certified teachers through part-time and summer study.

Access, support and determination are the keys for our students, parents and teachers.

I look forward to listening and learning from our distinguished panelists today.

Thank you.

Mrs. **Lowey**. Thank you.

Major Owens?

Mr. **Owens**. Chairwoman Lowey and my colleagues, Congressman Molinari and Congressman Serrano, I want to thank you for bringing these hearings to New York City.

I have no opening statement. We have a very impressive array of all-star witnesses here and I would like to get on with that business, starting with our star witness who, if ever they created a hall of frame for great legislators, it would be headed by John Brademas.

Mrs. **Lowey**. Thank you, Major.

Before we begin, in honor of New York, we have this Big Apple timer.

Unfortunately, we understand that we're going to be called back to Washington this afternoon for some important votes.

So we're going to keep rather tough time on both our witnesses, as distinguished they may be, and also our colleagues. We're going to limit all of us to 5 minutes.

I believe one of our staff will be turning this timer and when you hear the bell, you'll know that's a little bit of a hint.

I do apologize in advance, this is necessary to ensure that all wittnesses are heard.

At this point, I want to thank Dr. Brademas for hosting this hearing, for being our star witness. We are very appreciative to you.

Certainly, Dr. Brademas as you know, was a leader in Congress, and is now the president of our Nation's largest private university.

Dr. Brademas served in Congress for 22 years, where you were a principal author of major legislation affecting all levels of education, including higher education.

He also served as a Majority Whip in the House. In fact, it's a position that just opened up again, unfortunately.

You've been president of New York University since 1981 and more recently, Dr. Brademas was asked by Chairman Ford of the Education and Labor Committee to act as an advisor to our committee during this very important reauthorization process.

Again, I am very grateful to you, Dr. Brademas, for hosting this hearing and for being our first witness. We are very privileged to have you here and we thank you.

STATEMENT OF DR. JOHN BRADEMAS, PRESIDENT, NEW YORK UNIVERSITY

Dr. **Brademas**. Thank you very much, Madame Chair and distinguished members of the subcommittee. At the outset, let me extend a warm welcome to all of you at New York University.

We had Boris Yelstin here last Friday morning, so this is a very exciting week. We have a distinguished group of New Yorkers and I'm delighted to see so many New Yorkers on this important committee.

I echo how particularly agreeable it is, because I served on your subcommittee and full committee, as you say, for more than two decades.

I want also to say how glad I am that my valued friend and colleague, Bill Ford is the Chairman of the committee, because I think he is one of the ablest legislators with whom I ever served in the House of Representatives.

I'm glad also to welcome another old friend, Tom Wolanin who is as knowledgeable as anybody in our Nation's capital or in the country on the subject that brings us together.

What I want to do this morning is place your deliberations in concrete context by illustrating the significant ways in which the Higher Education Act contributes to this University and its students.

And I would ask you unanimous consent that my complete statement be printed in the record as read, so that I could focus on the more significant and far reaching Title IV.

I recommend, as you look at this title, the following guidelines. To recapture the buying power of Pell grants and making the tools of access for which they were designed, the maximum award should be increased substantially from the current $2,400 and annually adjusted to keep pace with inflation.

I wholly associate myself, Madame Chair, with your observations on the importance of expanding aid for all students, which I know is the view of Chairman Ford, as well as Chairman Pell in the Senate.

I disagree with the administration's proposal to target the majority of Pell money to families with incomes of less than $10,000, because doing that would make it even more difficult for many needy, I reiterate "needy" students, from lower and middle income families to qualify for grants.

When I heard you speak of your proposing the Middle Income Student Assistance Act, Madame Chair, I recall that in 1978, when I was majority rep, Congressman Ford came to my office in the Capital.

There the two of us put together the Middle Income Student Assistance Act of that year and persuaded President Carter that it would be a very good idea if he got on board the "train," because we let him know that it was going to move out of the station.

He decided to become the engineer. He invited us to the White House, at which point you will recall, we announced that legislation.

I suggest further that the termination of Pell awards be tied in some manner in levels of tuition and that larger grants be given freshman and sophomores.

And finally, I hope you will consider favorably the proposal made by members of both bodies, to make the Pell grants an entitlement.

I join the majority of leaders in the higher education community in recommending increased loan limits for the Stafford loan program.

You rightly spoke of the serious issues of student loan defaults and I know that your committee is already aware of studies that show that a substantial volume of defaults occurs at profitmaking trade schools.

I should tell you, so that you will know, that at New York University the default rate is under four percent.

We take very seriously our responsibility for maintaining the integrity of the program.

I want to say that as the students who often graduate from college with sizable and in many cases unmanageable debt, you must be concerned about that issue.

I would favor allowing loan recipients to stretch out repayments and consolidate various loans.

I also hope, Madame Chair and members of the subcommittee, that if you review these programs, the campus base programs, SEOGs, College Work Study, Perkins Loans, that in order to be responsive to changing students needs, you will consider giving campus administrators more flexibility in transferring funds from one program to another.

I oppose the effort of the Bush Administration to kill all Federal contributions to the Perkins Loan program, which as you know provides institutions money for loans to needy students.

Withdrawal of such funds would cause hardship on many campuses, including ours here, where we rely on Perkins loans to supplement other sources of aid.

I'm just saying in 10 years of my presidency at this university, we have more than tripled the amount of student financial aid that comes from university sources.

So we are working very hard to generate funds at the State level, as well as in the private sector.

But the Federal programs are absolutely essential to our capacity to make possible access to a first class education to talented but needy students.

In this connection, I want to say a special word of appreciation to Major Owens, for what we here call the Owens Fellowships that provide encouragement for minority participation and graduate education.

You may be interested, Mr. Owens, to know that this university has created a faculty resources network under which we have invited faculty from a dozen or so colleges and universities in the New York, New Jersey and Connecticut area to come here for high power seminars on certain subjects.

We have just in the last couple of years expanded that network to bring faculty from the historically black colleges.

So we're trying to be very sensitive to the importance of improving the quality of education for minority students.

I just have just become a member of the board of Spellman College myself. In fact, I'm going to my first meeting.

I conclude, Madame Chairperson——

Mrs. Lowey. As the host, by the way, you may have another minute or two.

Dr. Brademas. I've learned to talk fast, I was not on the Senate.

I conclude by telling you that a symbol of what brings us together is perhaps represented by the action that caught the attention of all of us last week.

I wrote on letter on Friday to Bill Gray, in which I said, "Dear Bill, from one majority whip to another, from one president to another, greetings and congratulations."

I congratulated Mr. Gray on what I know must have been a difficult decision in some respects for him. But that Bill Gray, who is so widely respected, decided to become the president of the United Negro College Fund, is the best, I think, concrete symbol of the importance of the legislation that you are met today to consider.

To ensure access to talented but needy students to a first class education.

Madame Chairperson, members of the subcommittee, thank you very much for asking us here and I look forward, as do you, to hearing the comments of my other colleagues who appear before you.

[The prepared statement of Dr. John Brademas follows:]

STATEMENT OF DR. JOHN BRADEMAS
PRESIDENT, NEW YORK UNIVERSITY

BEFORE THE SUBCOMMITTEE ON
POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

AT A FIELD HEARING ON THE
HIGHER EDUCATION ACT

MONDAY, JUNE 24, 1991
9:00 A.M.

NEW YORK UNIVERSITY
D'AGOSTINO HALL
110 WEST 3RD STREET
NEW YORK, NY

Introductory Remarks

Madame Chair and distinguished members of the subcommittee, let me extend to you a warm welcome to New York University. I am especially pleased, Representative Lowey, that a distinguished New Yorker is in the chair today.

It is, of course, a particular pleasure for me to act as your host here today. As you know, I served in Congress for twenty-two years -- throughout that time on the Education and Labor Committee and on the Postsecondary Education Subcommittee. And if you will allow me to say so, I continue to take pride in having played a part during that time in shaping the policies of our national government in support of education and culture and other areas of American life.

I am honored as well to appear with several distinguished New Yorkers -- Dr. Timothy Healy and the Honorable Jorge Batista, even as I welcome my fellow presidents, D. Bruce Johnston and Patricia Ewers.

If as a Member of Congress I devoted my time to education, obviously I continue to be preoccupied with teaching and learning as, since 1981, president of New York University.

I think it fitting, indeed, that you should choose for your forum today a university campus.

The decisions you and your colleagues on the Committee make over the next year will have a profound impact on the institutions of higher learning of our country, the lives of the students who attend them and, it is not too much to say, the future of the nation.

In the United States, Americans face a burgeoning array of problems -- from combatting crime and drugs to cleaning up the environment, from fighting AIDs to helping the homeless, from reinvigorating a listless school system to reigniting a stalled economy.

Looking abroad we see ample evidence of the swiftness and ferocity with which the world changes. The election of the first popularly chosen leader in the history of Russia, the dismantling of apartheid in South Africa, an assassination and end of a ruling dynasty in India.

Who would have thought these developments possible even a year ago?

What seems to me obvious is that to deal with the changes and challenges I have cited --both international and domestic -- will require all the knowledge, intelligence and imagination we can muster. And I think it is not parochial of me as a university president to assert that it is difficult enough in the best of circumstances to cope successfully with such immense problems but that it will be impossible to do so without a cadre of highly educated men and women.

In fact it is no exaggeration to assert that in the modern world, human capital is the most precious resource a country has. Indispensable to the production of that human capital are colleges and universities. And indispensable to both excellence of and access to higher education is the support of the Federal government.

Moreover, the American people have come increasingly to recognize that what happens in our schools, colleges and universities -- or does not happen -- directly affects the strength of our economy, the security of our borders and the quality of our national life.

The role of your committee will be crucial to reaching those goals. To you falls the task of extending and, where appropriate, modifying the Higher Education Act.

This measure is one to which I feel strong bonds, having helped write the original Higher Education Act of 1965 and its landmark amendments in 1972 and 1976.

So I am well aware of your responsibility -- and your opportunity.

I am also aware of the high quality of leadership this committee brings to its work. Your chairman, Congressman William D. Ford of Michigan, is one of the most knowledgeable, skillful, energetic legislators in Congress. I count him a valued friend as well as former colleague.

NYU and HEA

What I want to do this morning is place your deliberations in concrete context by drawing on the example of New York University to illustrate the significant ways in which the Higher Education Act contributes to this university and its students.

About New York University: We are the largest private university in the United States, with some 44,000 students in 13 schools, colleges and divisions, a faculty that numbers over 5,000, and an annual budget of $1.2 billion.

Nearly half that budget can be ascribed to the NYU Medical Center. I must also point out that in terms of this university's endowment, on a per-student (FTE) basis, NYU is far from a rich institution.

As a result, my colleagues and I have to work hard to raise funds from private sources to supplement the tuition and fees paid by students and their families. But neither private philanthropy nor student tuition is enough to do the job. We must look to governments, both state and Federal, and in particular, Federal, for support of research and student financial aid.

For 160 years, generations of immigrants to the United States have sent their children to Washington Square, where these young people have often been the first in their families to get a college education. For these students, many of whom come from low- and middle-income families, assistance from the Federal government is crucial to their ability to attend NYU.

I shall cite a few Titles of HEA to make the point that this legislation has a major impact on our nation's campuses. I won't attempt to be comprehensive in my analysis.

Title II

I turn first to Title II, the principal instrument of Federal support for academic and research libraries, library education and research in library and information science.

NYU's library system, like nearly all research libraries in the United States, is caught by the pressures of increasing demands for services, rapidly changing technology and inadequate financial support.

In order both to survive and to serve the needs of society, today's libraries must modernize, economize and share the use of modern technology through cooperative bibliographic networks.

In the past, our Elmer Holmes Bobst Library -- the anchor of NYU's library system -- has benefitted greatly from Title II grants for strengthening research libraries. We have used these grants for innovative joint projects with other New York libraries to convert bibliographic records into computerized form, making more widely available, for example, information about the impressive collections in art and architecture at NYU's famed Institute of Fine Arts. Our Tamiment Institute Library of Labor History has also received funds to catalog its unique holdings and make them more accessible to scholars around the country.

Title II has been vital to academic libraries. Congress has recognized the worth of this measure and has consistently rejected attempts by the Administration over the last decade to kill the program. Even as I applaud the survival of Title II, I must note that Federal library programs have never been generously funded. This is one area that deserves more attention rather than neglect.

Title VI

Another topic long of concern to me is international education. Just twenty-five years ago, I was chief sponsor in Congress of the International Education Act of 1966 -- a forerunner of Title VI of the Higher Education Act.

Can anyone doubt the soundness of the investment the United States government has made in foreign language and area studies, in scholarly research about foreign affairs and in international exchanges?

Title VI has been the keystone of that investment, helping develop a highly-trained cadre of scholars and teachers in foreign language and area studies.

The primary programs in Title VI are the National Resource Centers and the Foreign Language and Area Studies (FLAS) fellowships. The modest funds supplied through Title VI leverage greater contributions by colleges and universities themselves.

New York University is today a partner in three National Resource Centers:

1) The Joint Center for Near Eastern Studies, in which our Hagop Kevorkian Center for Near Eastern Studies has since 1967 participated with Princeton University.

2) The New York University and Columbia University Consortium

for Latin American and Caribbean Studies, which was designated a National Resource Center three years ago; and

3) Our latest addition: The New York City Consortium for European Studies, created by New York University in cooperation with the New School for Social Research and Columbia, and scheduled to begin operating next fall.

Next year, 18 NYU scholars, supported by FLAS fellowships, will pursue advanced language and international studies in conjunction with these centers.

As we scan today's headlines and hear the television reports about the extraordinary developments in Eastern Europe and the Soviet Union -- only last week I welcomed Boris Yeltsin to NYU -- the ongoing conflicts in the Middle East, the coming of Europe in 1992, the emerging linkages among the countries and peoples in our own hemisphere -- the importance of supporting interdisciplinary scholarship about these areas of the world seems obvious.

We need to invest far more then we have been doing in learning about other countries, cultures and peoples -- and Title VI is an essential part of this effort.

Title IX

Another valuable component of the Higher Education Act is Title IX, which authorizes fellowship and traineeship programs for graduate and professional study.

Eight years ago, I served on the National Commission on Student Financial Assistance and chaired the Graduate Education Subcommittee of the Commission. In December 1983, the Commission issued a report on graduate education which enjoyed the unanimous support of its twelve members -- among them, the distinguished Chairman of the House Education and Labor Committee, Bill Ford, and the distinguished Chairman of the Senate Subcommittee on Education, Arts and the Humanities, Claiborne Pell.

In that report our Commission called for increased support for graduate students, including fellowships and research and training assistantships. "Unless adequate student aid is available," said our Commission, "the nation will not be able to attract the talented young people it needs into graduate education."

Title IX is the fulcrum of financial support for graduate and professional students. And I am pleased that, partly in response to our graduate education report, Title IX was expanded in 1984 to include the Jacob K. Javits fellowships for gifted college graduates to pursue advanced study in the arts,

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humanities and social sciences.

New York University and its students currently receive support from five of the seven programs under Title IX, including those to encourage minority and disadvantaged students to pursue graduate studies, to assist students who want a career in public service, and to help law students gain clinical experience.

The Bush Administration, as you know, has proposed dropping some Title IX programs, and consolidating the remainder, along with the Foreign Language and Area Studies fellowships and library career training grants, into a single package of competitive grants for graduate students in areas of national need.

I, for one, view this notion as little more than an effort to reduce funds essential to graduate education in the United States.

Title IV

Finally, I want to comment on the title of the Higher Education Act that represents the largest and most far-reaching financial commitment of the Federal government to opportunity for postsecondary studies: Title IV.

As one of the architects of several of the programs that now constitute Title IV, I can assure you that they were a direct expression of the concern of both Democrats and Republicans in Congress that an opportunity for a college education should not be denied any talented, motivated student because of financial need.

Toward that end we constructed a fabric of student aid programs, including Guaranteed Student Loans, College Work Study and Pell Grants, which have provided millions of American young people the chance to go to college. Our commitment was simple and straightforward: desire and ability, not wealth, should be the key to educational opportunity in the United States.

In my judgment, the constellation of Federal student aid programs represents one of the shining glories of American public policy. These initiatives have made it possible for millions of students to attend colleges and universities who only two decades ago would not have been able to do so.

Here at NYU, for example, almost two-thirds of all full-time undergraduate students receive some form of financial aid, the bulk of which comes from Federal programs. During the past academic year, these students received, from all sources, $60.8 million in aid.

Not surprisingly, every time legislation to continue the authorization of HEA is considered, it is Title IV that provokes the most debate. The battles are even more heated in times of fiscal constraint. The issues you on this committee face include: directing aid toward poor or middle-class college students, the growing imbalance between grants and loans, and the problem of rising loan defaults.

From my perspective, as leader of a major private university, I recommend, as you examine Title IV, the following guidelines:

Pell Grants: To recapture the buying power of Pell Grants, which has eroded considerably in recent years, and to make them the tools of access for which they were designed, maximum awards should be increased substantially from the current $2,400 and adjusted annually to keep pace with inflation.

The Bush Administration has urged an increase in the Pell grant maximum, but would pay for the rise by simply eliminating 400,000 students from eligibility. By targeting the majority of Pell funds to families with incomes of less than $10,000, the Administration would make it even more difficult for many needy -- I reiterate, needy -- students from lower and middle-income families to qualify for grants. This would be unwise policy and I fully agree with Senator Pell who said of the Bush proposal: "The need is for more grants for more students not more money for fewer students."

I suggest further that determination of Pell awards be tied in some manner to levels of tuition, and that larger grants be given to freshmen and sophomores. Such "frontloading" of Pell grants would encourage students to postpone borrowing and thereby alleviate heavy debt burdens.

Finally, Congress should certainly consider -- I hope favorably -- the proposal of Senators Kennedy, Simon and other members of both houses to make Pell Grants an entitlement.

Guaranteed Loans: I join the majority of leaders in the higher education community in recommending increased loan limits for the Stafford loan program.

Student Loan Defaults: I realize the Committee will be closely examining the issue of student loan defaults. The loan default issue calls for correcting some misconceptions.

Here let me explain that college students are not necessarily more negligent than other beneficiaries of Federal programs.

Indeed, the default rate for student loans is lower than that for many other Federal loan programs, such as Small Business Administration and farm relief loans.

I think it also important to emphasize that student loans are intended to go to persons of modest economic means. These are people who often have no credit records or earning history, persons to whom banks would not make unsecured loans. In other words, without Federally guaranteed student loans, many young people would not be able to go to college at all.

Your Committee is already aware of studies that show that a substantial volume of defaults occurs at profit-making trade schools. In fact, although students in proprietary schools account for 22 percent of loans, they account for 44 percent of loans currently in default. Their default rate is 39 percent, compared to ten percent for four-year colleges. At NYU, I may add, it's lower still -- under four percent!

Here I in no way want to argue that postsecondary institutions should be exempt from evaluation or criticism.

Indeed, I agree with policies that set a certain maximum allowable default rate (the current rate is 35 percent) before institutions are rendered ineligible to receive guaranteed loans.

From the point of view of the students themselves, who often graduate from college with sizable -- in many cases, unmanageable -- debt, I favor allowing loan recipients to stretch out repayments and consolidate various loans. In this way, the government can be paid back and students kept from going into default.

Campus-Based Programs: The campus-based programs -- Supplemental Educational Opportunity Grants, College Work Study and Perkins Loans -- are a vital ingredient in the student aid mix. As you know, campus-based aid is distributed directly to colleges and universities, which then add their own funds and distribute the aid to students.

In reviewing these programs, Congress should, so as to be responsive to changing student needs, consider giving campus administrators more flexibility in transferring funds from one program to another.

The Bush Administration wants to kill all Federal contributions to the Perkins Loan program, which provides institutions money for loans to needy students. Withdrawal of such funds would cause hardship on many campuses, including New York University, where we rely on Perkins loans to supplement other sources of aid.

Conclusion

Now I have looked briefly at four titles of the HEA. You on this panel will spend the greater part of two years immersing yourselves in the intricacies of the entire Higher Education Act.

From financial aid to facilities, from FIPSE to TRIO, from nontraditional students to graduate students -- your jurisdiction is a wide one. Yours is a job that demands mastery of technical language and complicated formulas. But your work has a profoundly human dimension.

Yours is not an abstract enterprise but one that directly affects the future of millions of men and women, and as I have said earlier, the future of the Republic. I wish you well.

February 1991

JOHN BRADEMAS

John Brademas is President of New York University, which he joined in July 1981.

For 22 years (1959-81) Dr. Brademas served as United States Representative in Congress from Indiana, the last four as House Majority Whip. In Congress he was a principal author of most major legislation concerning elementary and secondary education, higher education, services for the elderly and handicapped, and Federal support for libraries, museums, the arts and humanities.

He serves on the boards of Berlitz International, Loews, Scholastic, Inc., Texaco, The Aspen Institute, Alexander S. Onassis Public Benefit Foundation, the Rockefeller Foundation, American Council for the Arts, the University of Notre Dame and The Spanish Institute.

In 1990 he served as co-chairman of the Independent Commission created by Congress to review the grant-making procedures of the National Endowment for the Arts.

Dr. Brademas is chairman, by appointment of Governor Mario Cuomo, of the New York State Council on Fiscal and Economic Priorities. He also serves on the Consultant Panel of the Comptroller General of the United States, and the Carnegie Commission on Science, Technology and Government.

He served five years, four as Chairman, on the Board of Directors of the Federal Reserve Bank of New York. He is a former member of the board of the New York Stock Exchange.

Dr Brademas has received honorary degrees from 43 colleges and universities. A former member of the Board of Overseers of Harvard, he is a Fellow of the American Academy of Arts and Sciences and a recipient of the annual Award for Distinguished Service to the Arts of the American Academy and Institute of Arts and Letters.

In 1984 he was elected to the National Academy of Education, received the Hubert H. Humphrey Award of the American Political Science Association for outstanding public service by a political scientist, and was awarded the Chevalier of the Legion of Honor of France. In 1985 he was inducted into The Academy of Athens and received the annual Charles Evans Hughes Gold Medal of the National Conference of Christians and Jews. In 1986 he was one of 80 Americans awarded the Ellis Island Medal of Honor.

In 1987 he was elected to the Council of the American Academy of Arts and Sciences. A trustee of the Committee for Economic Development, he is also a member of the Council on Foreign Relations and Council on the United States and Italy.

In 1988-89 he served on the National Commission on the Public Service, chaired by Paul Volcker, and in 1987 on the Commission on National Challenges to Higher Education, sponsored by the American Council on Education. He is currently serving as chairman of the National Advisory Committee of "Fighting Back", a Robert Wood Johnson Foundation to help communities reduce demand for illegal drugs and alcohol.

He is also chairman of the Advisory Committee of the David Rockefeller Fellowships of the New York City Partnership, of which he is a director.

Born in Mishawaka, Indiana, in 1927, he graduated with a B.A., *magna cum laude*, from Harvard University in 1949. From 1950 to 1953, he studied as a Rhodes Scholar at Oxford University from which he received a Ph.D. in Social Studies in 1954. He is an Honorary Fellow of Brasenose College, his college at Oxford.

He is author of three books: *Anarcosindicalismo y revolución en España, 1930-1937* (Barcelona: Ariel, 1974); *Washington, D.C. to Washington Square* (New York: Weidenfeld & Nicolson, 1986); and with Lynne P. Brown, *The Politics of Education: Conflict and Consensus on Capitol Hill* (Norman: University of Oklahoma Press, 1987).

He is married to Mary Ellen Brademas, a physician in private practice. She is also a member of the faculty of the Department of Dermatology of the New York University School of Medicine, director of the venereal disease clinic at Bellevue Hospital and chief of dermatology at St. Vincent's Hospital.

* * *

Mrs. **Lowey**. Thank you very much, Dr. Brademas.

We have a few questions for you.

First of all, I appreciate your comments on your disagreement with the administration's proposal to limit grants, Pell grants, for those with incomes below $10,000.

First of all, I happen to believe it's good public policy to extend the availability of grants to moderate income students, because as I travel around my district, I see that those students are feeling the squeeze.

It's just impossible for them to take advantage of a college education.

However, in addition to being good public policy, I think if we are going to continue to build support for this program, unless we provide access for middle income families to these grants and loans, we're not going to be able to sustain support for the student aid program.

I wonder if you could comment on this?

Dr. **Brademas**. I totally agree, and as a matter of fact, when Mr. Ford and I met, as I told you, 13 years ago to discuss this very point, there were two reasons that we were concerned to fashion such legislation, aside from the fact that there was another proposal in the wings that we thought was not a very good idea. But I won't get into that right now.

One, is that we were of the view, because I think we were good enough politicians, as are you all, to hear the voices from our districts, that there were many families of middle income where there was financial need in that family on the part of the children in the family who wanted to go to college.

Now when I was a college student, my father ran a restaurant, my mother was a public school teacher, there was four of us in college at the same time.

We were a middle income family, but certainly there was financial need.

I had the advantage of the GI Bill, as well as a scholarship at my university and working in the summer and getting some help from parents. That's how we did it.

The second point beyond asserting that there is need in middle income families or may be need, depending on the financial needs analysis, is precisely the one you've just said in very blunt fashion.

If we write these Federal student aid programs in such fashion as to be targeted solely on the very poor, which the administration wishes to do, the effect of that will be to erode seriously support on the part of middle income America, for the programs that make it possible for the very poor to have access to the student aid.

I shall not go into motivation on the part of the administration. I won't this morning, but I've done so in other forums and I'm perfectly willing to do it here.

But I don't like it. I think it's wrong and I think the effect of it would be to kill public support for student aid clear across the board.

Mrs. **Lowey**. Thank you.

One additional question, Dr. Brademas.

There's been a lot of talk about choice in education. This word has a lot of meanings. We won't define choice today as it applies to elementary and secondary education, and we won't get into a debate about choice in that regard. However, in postsecondary education, as a president of a private institution, I would appreciate if you would comment on the importance of choice for youngsters at the college level.

Dr. **Brademas**. Absolutely.

One of the glories of American higher education, and I think it's widely understood that our system of colleges and universities is without question the best in the world.

I interrupt myself to say that within the last 3 weeks I've given addresses in Greece and the University of Oxford in England, talking about higher education.

Although those are great universities, I think our system of higher education is unsurpassed.

Among the reasons that our system of higher education is held in such high regard is the legislation you met here today to discuss to make it possible for people to have access to the aid they require to go to college.

But another of the reasons, is that we have a pluralistic base in our system of higher education.

When I was a Representative in Congress of the Third District of Indiana, I had in my district the University of Notre Dame, on the board of which I sit; St. Mary's College, where I used to teach; Votion College, Menninite; regional campuses of Indiana University and Perdue University; Bethele College of Four Year Liberal Arts Evangelical College.

I had every kind of college and university you could imagine right in one congressional district. I think that's marvelous.

I think it's essential that we say to young Americans and if I may say so, to older Americans, because more and more of them are going to college also, "You don't have to go to just one type of college or university.

You may go to a 2-year technical institute, a 4-year community college, a 4-year liberal arts college, you may go to a private institution or a public institution."

As you know, Madame Chair and members of the subcommittee, today all institutions of higher learning are public and all institutions of higher learning are private.

Why do I say that?

Because the public institutions are out raising money from private sources.

All the Big Ten universities, for example, have very high fund raising campaigns, and we the private institutions depend very importantly on monies provided by the State of New York.

I don't think they are going to supply as much as we think they should, but that's another issue.

But particularly the Federal Government. Without this pluralistic base, students would not have a choice.

Mrs. **Lowey**. I appreciate your support for programs that provide better understanding of the areas and cultures abroad.

Certainly in times of real questions about our competitiveness, if we don't provide the funds for these critical programs. I think it will be a grave mistake on our part.

I appreciate your support.

Dr. **Brademas**. If it would not be inappropriate, Madame Chairperson, and being familiar with your customs, I might ask unanimous consent to insert following my own statements a couple of speeches I made recently on the importance of international education.

Because you may know I was the author, before most of you were born, of the International Education Act of 1966.

Ms. **Molinari**. I was born.

Mr. **Serrano**. I was thinking of one for the assembly.

Dr. **Brademas**. Mr. Serrano, you were born thinking of running a university, as I was born thinking of running for Congress, which was the precursor of Title VI of the Higher Education Act.

And I may say that I am also not happy with the administration, apparently not very supportive of international education.

All the more, we should have learned given what's going on in the Middle East, what went on in Central America, what went on in Vietnam, et cetera.

We need to know much more about other peoples and cultures of the world. So I express my views on that issue as well.

Mrs. **Lowey**. We certainly will be pleased to receive it and include it in the record, because I think, and I know many of my colleagues agree, that we would be taking an extraordinary risk if we didn't invest in these programs, considering the enormous changes in Europe and throughout the world. I thank you very much for your testimony.

Ms. Molinari?

Ms. **Molinari**. Just one quick question, Doctor, and thank you for allowing us the use of your wonderful facilities here

You mentioned briefly and we all have been uniquely aware of the situation facing the proprietary schools.

As a former Member of Congress, how do you suggest we go about correcting that situation?

Dr. **Brademas**. Very carefully.

Ms. **Molinari**. Thank you.

Now I see why you got where you are.

Dr. **Brademas**. I know that the administration had made some suggestions, and I know there are suggestions being made by members of the House and Senate.

I am familiar—I know that Senator Nunn has produced a study.

I think Mrs. Lowey has made a very important point when she suggests to pursue a metaphor from the field of health, preventive care.

We need to pay more attention before we get into trouble than we have been.

I think we're paying a price for having moved over the last decade away from grants to loans.

We are all aware that the guarantee loan program is utilized chiefly—I won't say chiefly, but in large measure, by persons who have not been familiar with making loans and don't have that custom in their culture.

I do think, nonetheless, that we need to be fairly tough-minded on it. I believe in the sanctity of contract.

If you agree that you're going to take a loan and pay it back, you should do so.

I think we need to strengthen the State agencies, the States to give them more strength.

I know that the issue proprietaries is a sensitive subject, but I don't think it could be ignored, because the rest of the world of higher education is getting a black eye because of troubles that seem chiefly in one sector.

I think it's in the interest of the proprietaries themselves, to take the lead in figuring out a way to ensure integrity of the loan system.

Ms. Molinari. Thank you.

Mrs. Lowey. Mr. Serrano?

Mr. Serrano. I would like to preface one question for you, Mr. President.

Incidentally, I just want to tell you that in addition to those international trips, you should include some local ones, because remember that President Eisenhower had a university before he became President, and I certainly think you've got all it takes to be in that arena too for 1992.

Dr. Brademas. Thank you, I think, Mr. Serrano.

Mr. Serrano. This past Friday I had the greatest honor I've had since I was a commencement speaker at Bronx Community College, average age 31.

A lady came up to me and said something very interesting.

She said, "I finally made it after raising children and going through all kinds of situations, and everything indicates that I will be making anywhere from $30,000 to $35,000 pretty soon."

She says, "That's the good news. The bad news is now I won't qualify to get any assistance for my children to go to school."

That was tragic, because we were celebrating the struggle, only to find out that she simultaneously felt half defeated.

So my question to you is: From your political experience and your experience in this world of education, are we past the point of ever discussing a guaranteed "Free Education" in this country?

Is there a constituency for free education as strong as there was for the war in the Gulf? Is it something that we should even put some energies into for those of us who believe it should happened.

Dr. Brademas. Well, I must give you a candid response.

This is almost—this is a dangerous question you put to me, because it conjures up a reaction on my part about the fix this company is in right now, in 1991.

I think we are not on the edge of providing a free education to everybody. We have a $320 billion budget deficit.

Congress and the President locked themselves into the budget last year.

To be very straightforward about it, the President doesn't seem to be much interested in the kinds of issues that bring us together here.

Senator Rockefeller got his report of his committee out today on children and I was reminded that nearly 20 years ago, Tom, Senator Mondale and I wrote the comprehensive child development bill.

The first major child day care program in the history of the country, Mr. Nixon vetoed it.

If you look at the administration's education program, you don't see a lot of new money in it, because the administration and to some extent some of my former colleagues in Congress, have not wanted to come to grips with these fundamental underlining issue of what does the country care about.

Now when the President said in his inaugural address, "This country has more will than wallet," he was wrong.

This is the richest country in human history. We have the wallet, we don't have the will, that's the problem.

If we were able to adopt the kind of legislation, extend the kind of legislation we are talking about here today, if we're to pay attention to children the way the Rockefeller commission suggests, we have to change our mind set.

And the President of the United States has to start paying attention to these matters and indicate that he really cares about it.

You've got billions going into savings and loans bailouts. We don't seem to be willing to bail out the children of the country or the young people of the country, or when you speak of somebody age 31 getting a degree, other people who wish to better themselves in life through education.

So I don't think I would say we are on the edge yet of that golden dream. I would say one other thing.

I don't see anything wrong with this pluralistic mix of financial support for going to college or for paying the bills.

Some money from the Federal Government, some money from the State governments, some money from private foundations, some from business and industry and some from the families of the student and some from the students themselves.

I believe in the gospel of hard work. But now there may be situations in which that kind of support is not possible, and that's all the more reason we need the kind of legislation that you're talking about today.

Mrs. **Lowey**. Major Owens?

Mr. **Owens**. Continuing in that same vein, Dr. Brademas, the President's program America 2000 is a comprehensive approach to transform our education in America, however inadequate it may be, it's the only one out there. Democrats don't have one.

I would like your comments on the lack of a role, a significant role for higher education.

Higher education will have to be the engine, it seems to me, that drives that.

If we are going to realize certain goals by the year 2000, be first in mathematics and science and have 90 percent of our students graduating, the teachers will have to bear a large part of that burden.

The universities are not producing those teachers and they are not producing the teachers of teachers, and yet there is no provision made, no recognition of that.

Here in New York City we have a majority of our junior high schools and our high schools that don't have teachers teaching science and mathematics who majored in mathematics and science in college.

So it seems to me that universities should play, must play a far greater role in America 2000.

Dr. **Brademas**. I totally agree with you, Mr. Owens, and I call to your attention that at the famous Charlottesville Summit, where

Mr. Bush was with the Governors, that hardly a word was said about higher education.

It was almost totally devoted to elementary and secondary education. I'm a strong champion of elementary secondary education.

I was on a subcommittee with a fellow named Hugh Carey, that wrote the Elementary Secondary Education Act of 1965.

Second, this university is deeply engaged in working with the public schools of New York City.

Third, I'm glad to tell you that we are experiencing an increase in applications for our school of education at New York University.

More and more young people apparently are interested in careers as school teachers.

Again, I strongly agree with the thrust of your observation, that we have to encourage perspective school teachers to know the substance of what it is that they are teaching, particularly important is science and mathematics.

Tomorrow evening I travel to Woods Hole, Massachusetts, where I'll join President Carter and a couple of Nobel Laureates and some former science advisors to presidents for a meeting at the Carnegie Commission on Science Technology and Government.

I chair the Committee on Congress of that particular committee.

But there also will be present, Louis Branscome who is the professor of science technology at the Harvard Kennedy School, who chairs the committee on K through 12 science and mathematics education.

I expect to be spending a day or so, this week even, on that particular subject. But I don't see much attention given in the administration's proposal to this issue.

Now I happen to be, I should say finally, a great admirer of Lamar Alexander, who is an alumnus, Madame Chairperson, of this law school, of the New York University School of Law.

Now I also have great regard for David Kearns, the Deputy Secretary of Education.

I do not think that President Bush could have been taken seriously in his announcement that he wanted to be an education President, until he appointed these two distinguished Americans.

Now let's see if they're going to give the kind of leadership that their appointment suggests.

One way is, if they're going to be putting some serious money into teaching.

Mr. Owens. Are you suggesting members of this committee take the initiative in terms of incentives for students——

Dr. Brademas. Absolutely.

Mr. Owens. Students loans, we've tried it before——

Dr. Brademas. You made an interesting point at the outset, Mr. Owens.

I don't think we are on opposite sides of this. You said the President has a program for schools, but Democrats in Congress or Congress doesn't.

My response is, with respect, "Why not?" When I was in Congress——

Mr. Owens. I wanted you to say that.

Dr. Brademas. When I was in Congress, Mr. Nixon was President and Mr. Ford was President. As Tom Wolanin will acknowledge, we wrote the education laws of this country, not the White House.

Members of Congress, Democrats and Republicans working together, Ms. Molinari. Al Quie, of Minnesota, the senior Republican on the committee.

I worked very closely on a lot of the legislation that we've been talking about here today.

So I think, if I may say so with respect to the subcommittee, I wouldn't sit around waiting to get a message from the White House.

Sometimes, again, as Tom Wolanin will acknowledge, you never hear from them.

So go ahead and write the legislation and do it in a bipartisan fashion.

Because support for access to first class education is not a partisan issue. It cuts across party lines.

What I found when I was on Capitol Hill, is that we could forge a bipartisan coalition for education in Congress.

The warfare, therefore, was between Congress and the White House, not between Democrats and Republicans.

Mrs. **Lowey**. Thank you very much, Dr. Brademas, and just one final comment, just from your comments with Major Owens, from my experience as a new member in Congress, and as our Chairman, Bill Ford, continuously reminds us, so much of the legislation is there.

It's not even so much writing the legislation, it's developing the will in the Congress to direct the money into these critical programs.

We're going to have to make some tough choices, and for me, I rather choose education than a space station in the sky, but in any event, that's my choice.

I think it's a matter of getting enough will in the Congress to really commit ourselves to education, not just the rhetoric of education.

So I'm delighted that you're going continue to work with us and I appreciate your testimony and your hospitality.

Thank you very much.

Dr. **Brademas**. We're honored to have you, thank you.

Mrs. **Lowey**. I'd like to welcome the next panel, Dr. Timothy Healy, the Honorable Jorge Batista, Dr. Bruce Johnstone, Dr. Patricia Ewers.

Won't you come forward?

Dr. Healy, I would like you to begin, our distinguished head of the New York Public Library, an invaluable resource for all of us.

Thank you.

STATEMENT OF DR. TIMOTHY S. HEALY, PRESIDENT, THE NEW YORK PUBLIC LIBRARY

Dr. **Healy**. Thank you, Madame Chairwoman.

Thanks for the privilege of being here this morning. I make a special salute to Mr. Owens. He's the only member of the Congress who was a librarian.

I have submitted written testimony to the committee. Here I'd like to accent one part of that, one precise piece of legislation that already exists, and that's Title VI, Part A, Section 607.

Enacted to help research libraries to buy, preserve and catalog and make available foreign materials, particularly here in the periodicals.

This growing problem, and it's really kind of a crisis, whether a research base of the Nation's most lucrative and most politically productive export advanced education and research.

Even our enemies send their kids to school in the United States. The Red Chinese, physicists, chemists, biologists, who are sporting Ph.D.'s from MIT, Caltech, Harvard.

We are gradually losing a great base of knowledge on which that particular export rests.

There are six libraries in the great university, indeed any program of advance learning.

Here is the problem.

Thirty years ago three quarters of what scholars needed for research, right across the board, science, humanities and social sciences, was published in the United States.

Now that figure is down to 60 percent and it's going down, not up.

There is something like 800,000 titles published in the world.

Fifteen years ago, 16 percent of them were published in the United States.

Now only 12 percent are published in the United States.

Increasingly, American research must rely on foreign materials, and increasingly that stuff is published in languages other than English.

At the same time, there's another set of numbers in play.

Steady inflation, for scientific periodicals up 20 percent a year, for other periodicals roughly 10 percent.

Steady inflation and a low dollar have resulted in approximately 50 percent drop in purchase of foreign materials by American Research Libraries. Both university and ourselves.

As scholarship globalizes, we're dealing ourselves out of the game.

I don't know if you saw Sunday's Times. There was a big article about air buses made in Europe, picking up the European trade. We make the best airplanes in the world.

Where were we when that market opened up? What did we know about it?

What information did we have on it, and why, in blazes, aren't we in it?

This is implied and practical research. Once we're out of this game, and that's only about 20 years away, it will costs fortunes to get us back into it.

The problem is national. The cost of the solution is not enormous, yet.

If Title VI, Part A, Section 607 were brought up nearly to $8 million to $10 million a year, it would do the job nationally.

Here's how it would work. There are eight to ten research libraries in the United States, to buy over 100,000 in foreign materials a year and that would include over 20,000 periodicals.

In order to do peak for that $8 million to $10 million, they could easily work with the Department of Education to avoid duplication in anything paid for by the Federal Government.

What they choose to duplicate with their own money is up to them.

If all of them would undertake cataloguing, these federally funded purchases swiftly and to make them available all over the Nation, above all to other research libraries.

In the research libraries group, the structure to do this already exists and the group would welcome the lead from the Department of Education and Congress.

Madame Chairwoman, the problem we're facing is both serious and an issue.

A small sum would do the job and help us to use private and State resources to ensure that 20 or 30 years from now, America will still be the scholarly research capital of the entire world, as it has been for the last 20 years.

Once again, the rest of my testimony is written. Thank you very much for listening.

[The prepared statement of Dr. Timothy S. Healy follows:]

PREPARED STATEMENT DR. TIMOTHY S. HEALY, PRESIDENT, THE NEW YORK PUBLIC LIBRARY

Thank you for the opportunity to testify today on the reauthorization of the Higher Education Act and its importance to research libraries. Before I begin, I would like to commend the committee for their excellent work on this important piece of legislation.

For 45 years I have been involved in learning, as a student, as a teacher, and as an administrator. Serving as President of The New York Public Library, one of the premier research institutions in this country, has seemed to me to be a natural extension of my career within the formal realms of academia. As a scholar, it is a pleasure to work daily among the nearly 10 million volumes and 26 million assorted artifacts that form the basis of New York's great research library.

While libraries cannot, by any means, be construed as formal degree granting institutions, they are, nonetheless, an essential accompaniment to the process of education. Indeed, colleges and universities recognize this fact; course catalogues frequently boast of the number of volumes in the university library as if sheer bulk were indicative of the quality of education available in the institution. And, in fact, it is within the library that a fundamental part of the learning experience takes place. Libraries allow the user to pursue his or her field of study beyond the classroom. Libraries promote creativity and independence of thought and, most importantly, they make us aware of the vastness of human history and culture, only a small part of which anyone of us can learn in a lifetime.

The New York Public Library occupies a unique position within the community of research libraries. It is not attached to a limited community of users like a university library, nor does it serve a special clientele such as the Library of Congress. The New York Public Library is a national education resource, open to and used by the whole of the public, without membership or fee.

And yet, despite the democratic orientation of our service mission (not to mention our dependence on private donations and government monies as a central means of support), the greatest of American universities—both public and private—have all come to rely on our collections and services. The New York Public is, within the community of research libraries, the library of last resort—we are the resource that institutions of higher learning and scholars turn to when other possibilities are exhausted. In this era of global competitiveness, when higher education has become one of our nation's most valued exports, this is no small compliment or responsibility.

The diversity of The New York Public Library's constituency is matched only by the diversity of its collections. We are, in actuality, a universe of libraries containing virtually every kind of collection and service. Comprised of four research centers—the Schomburg Center for Research in Black Culture, the Humanities, Social

Sciences and Special Collections, the Library for the Performing Arts, and the Science, Industry, and Business Library—The New York Public Library houses world-class collections in African-American history and culture, English and American Literature, music, dance, prints, patents, U.S. history, newspapers, maps, Judaica, and the history of science, to name just a few. Numbering over 35 million items, with over 306,000 new pieces acquired each year, collection materials are in some 3,000 languages and dialects and constitute a resource of national and international importance.

Federal assistance through the Higher Education Act has been a crucial means of support for The New York Public Library. Title II-C of the Act—the Strengthening Research Library Resources Program—has made the acquisition and preservation of rare and valuable materials possible throughout the Library's collections. A sampling of projects made possible by Title II-C includes the preservation of illustrated books and photographs from Imperial Russia and the Soviet Union, and the cataloging and conservation of non-commercial recordings by such prominent and diverse figures as Maria Callas, Fiorello LaGuardia, and Winston Churchill.

The New York Public Library strongly advocates the reauthorization of Title II-C. Without question, this program has enhanced our ability to act as an independent national center for higher education and information exchange.

Title VI (Part A, Section 607) of the Higher Education Act was enacted to assist academic and research libraries in the acquisition, preservation, and cataloging of foreign language journals not widely available in this country. The New York Public Library supports continuation of this title and recommends amending Section 607 to increase the appropriation level to $8.5 million and to expand support for the acquisition and processing of foreign language periodicals to include other foreign research materials.

The nature of today's competitive international marketplace dictates that business and research communities be supplied with a constantly changing body of information, now generated in unprecedented volume from all corners of the globe. Just as demand for foreign publications has exploded, escalation of material prices, rising inflation, and the declining value of the dollar on international currency markets have dramatically increased the costs of making these materials available. The Council of National Resource Centers estimates that the combination of these factors has resulted in a 40 to 50 percent drop in the acquisition of foreign materials by North American libraries since 1985.

The consequences of failure to remedy this decline are drastic and far-reaching—our coverage of international publishing, once comprehensive, is shrinking just as research in technical fields, and even the humanities has become increasingly globalized. What we risk is the research base of the future and, by extensions, the long-term research, development and scholarly efforts of America's academic and business communities. Higher education can and will no longer be a valued export of this country if that education is incomplete and therefore second rate.

The reference librarians, bibliographic materials, and foreign language collections of the major research libraries, including The New York Public Library, stand as a valuable national resource which can be cost-effectively utilized to meet this country's foreign research needs. It is no longer possible for any one library to collect comprehensively in all languages. The use of Federal funds should, therefore, be targeted to those research libraries that have comprehensive current and retrospective foreign research collections and that have the capability to make those collections accessible to users throughout the country. Relying on past cooperative ventures, the designated research libraries would outline collecting responsibilities through a formal agreement with the Department of Education. A cohesive and targeted Title VI program would expand the collective body of foreign research materials in this nation.

Finally, I would like to address the reauthorization of Title III and the potential of the Schomburg Center for Research in Black Culture in providing a leadership role in a national effort to coordinate the collection and preservation of materials documenting the Africana heritage. The Schomburg Center combines one of the world's most comprehensive collections of print, visual and audio-visual materials documenting black heritage, with resources and programs devoted to building, preserving and interpreting these resources for a wider audience. The Schomburg Center is currently positioned to serve a leadership role towards a larger network of Africana-related collection and preservation entities and specifically the Historically Black Colleges and Universities through a coordinated program of collection development, processing, preservation and dissemination.

The Higher Education Act offers a unique opportunity to address the research needs of this nation. We look forward to working with the members of this committee towards enhancing the critical role that research libraries play in developing a solid research base for education, scholarship and business in the 21st century. Thank you.

Mrs. Lowey. You even made it before the bell.

Honorable Jorge Batista, Chairman of the Regents Committee on the Higher and Continuing Education.

STATEMENT OF JORGE L. BATISTA, CHAIRMAN OF REGENTS COMMITTEE ON HIGHER AND CONTINUING EDUCATION, THE UNIVERSITY OF THE STATE OF NEW YORK, ALBANY, NEW YORK

Mr. Batista. I, too, will only highlight the comments that are already submitted in writing.

Let me begin by thanking you all for the opportunity to address you.

As you pointed out, I am the Chairman of New York State Board of Regents Committee on the Higher and Continuing Education.

The Board of Regents have submitted a full Federal legislation recommendation. I'm sure that's more than anyone would want me to repeat here.

First and foremost, I would like to thank and recall from Major Owens that I have been observing and watching him on occasion, trying to participate in his long-time efforts to help the disadvantaged of New York City, going back to our mutual start and model cities some many years ago. I remain an admirer from those long ago days.

I thank Representative Lowey for all you have done and for what I hope you will be able to achieve especially in the areas of accountability in the student assistance programs which I will address a little bit more fully.

My neighbor and longtime friend, Representative Serrano, who had a great deal to do with my entry into the Board of Regents, would you believe 16 years ago.

Last, but not least, to thank Representative Molinari, with whom we are only beginning to work, but in very important areas of precollege summer opportunity bills and other important matters.

As it was pointed out, you, ladies and gentlemen, are a significant portion of this Committee on Education and Labor and particularly on the subcommittee that will be addressing the Higher Education Act.

So we look to you with increased reliance and increased concern because of the developments here in New York State and the area of higher education.

The Higher Education Act is of greater importance to New York State now than it has been in the past.

In the past, of course, it has represented approximately one-third of all the government's funds spent in higher education, postsecondary education in our State.

It had contributed $1.5 billion to supplement the $3.3 billion which was spent by the State and local governments.

It aids over one half of our undergraduates and it is a significant source of the supply of teachers and school administrators that provide education in our State.

As everyone knows, New York State has entered a very, very difficult financial period and the level of State support for education, particularly postsecondary education, is reduced and threatened to be further reduced.

That is why I want to emphasize several of these three points in what is admittedly a very complex and a very large legislative project.

First, I would like to emphasize that the New York State Board of Regents is very, very concerned and shares with you your commitment to eliminate waste and abuse that threaten the very existence of the programs nationwide, and of course, are very significant in New York State.

With the likelihood of little, if any, increases in New York State, the effective use of the available resources becomes a very high priority and we join with you in paying attention to the integrity in the use of funds.

Secondly, while being very concerned about the effective use of funds, we must not lose site of the fact that we have a great deal to do to give opportunities to individuals who have historically not had opportunities, who are facing greater hurtles, financial and otherwise, to participate in postsecondary education.

You've heard it totally from individuals. There are many grim statistics that can be cited, but access remains a key factor.

Last but not least, if I may, we need to continue to produce and bring in to the teaching administration, particularly of our elementary and secondary schools, individuals who are not now participating, and we commend you and urge your continued support and work towards the teacher corps, and the teacher opportunity corps, programs which you have undertaken.

Last but not least, we also urge you to pursue the precollege summer program, which will help so many disadvantages students in New York.

Thank you.

[The prepared statement of Jorge L. Batista follows:]

PREPARED STATEMENT OF REGENT JORGE L. BATISTA, ON BEHALF OF THE NEW YORK STATE BOARD OF REGENTS, THE UNIVERSITY OF THE STATE OF NEW YORK

Chairperson Lowey, Congresswoman Molinari, Congressmen Owens and Serrano, and other members, I appreciate this opportunity to testify before you today on the reauthorization of the Higher Education Act. I am Jorge L. Batista, a member of the New York State Board of Regents and Chair of its Higher and Continuing Education Committee. The Board is responsible for policy and program quality in all sectors of postsecondary education in New York State.

Let me begin by thanking each and every one of the distinguished committee members from New York for the good work that you do on behalf of the people of our State. Congressman Owens, the senior member of our delegation, we salute your well deserved reputation as a longstanding champion of all aspects of education and your interest in meeting the special needs of urban youth and people with disabilities and in furthering the cause of libraries and Federal research on educational improvement. Congresswoman Lowey, we thank you for your active role in advancing postsecondary opportunity for disadvantaged and underrepresented populations and appreciate your sponsorship of key bills that I will mention later in my testimony. Congressman Serrano, we appreciate the ardent support you give to educational programs for both young people and adults, particularly those living in urban areas, and your sponsorship of our Teacher Opportunity Corps bill. And Congresswoman Molinari, we thank you for your co-sponsorship of several bills to advance educational opportunity by improving student aid, literacy, and job training programs. We are particularly pleased that you will be sponsoring our precollege summer bill that I will speak about shortly. We are fortunate to have each of you representing us.

As you know, the Higher Education Act has contributed immeasurably to our nation's social and economic well-being by opening the doors of postsecondary education to millions of individuals who would not otherwise have been able to afford it. Because New York's delegation constitutes the largest delegation from any single state on the House Education and Labor Committee, and three of its members serve on the subcommittee responsible for HEA reauthorization, we look to you to keep those doors of opportunity open for New York's students. I appreciate the interest that all of you have already shown in this reauthorization and thank you for your attention today.

As the largest supplement to State and local support for educational opportunity in New York, the Higher Education Act is of vital importance to our students. In purely economic terms, HEA student assistance programs provide nearly one-third of all government funds spent on postsecondary education in our State. In 1990-91, for example, HEA Title IV programs provided New York's students with roughly $1.5 billion to supplement the $3.3 billion we spent on higher education from State and local taxes. In more human terms, over half of our undergraduates rely on one or more types of HEA student aid awarded on the basis of financial need.

New York's students can be expected to rely even more on Federal assistance in the future if current economic trends persist. During the past 6-7 months, our State has experienced reductions in tax support for higher education that have led to higher tuition prices and cutbacks in State grant aid, both of which threaten access. Without Federal aid as a safety net, the doors of opportunity would close for most of New York's neediest students.

A closely related reason for New York's interest in the HEA is that its programs promote access to higher education for our future teachers and school administrators. The national call for reforming and restructuring our schools—like the New Compact for Learning in New York State—requires that our colleges and universities be accessible to low-income and underrepresented populations who will be the educators of the future.

This April, in response to Chairman William D. Ford's request, we submitted legislative proposals to the House Education and Labor Committee, with copies going to each of you. Our proposals are designed to address what we consider to be the most pressing issues for this reauthorization.

High on our list of priorities is the need to eliminate the waste and abuse that threaten the very existence of Title IV student assistance programs nationwide. To improve accountability for the Federal investment in postsecondary students, we are proposing a State Postsecondary Approving Agency program that would permit the states to receive Federal funds to assure a wide range of quality standards at institutions whose students received Title IV funds. Our proposals are based on our long experience as an oversight agency and our more recent experience in enforcing the Nation's strictest laws pertaining to non-degree vocational schools. We appreciate Congresswoman Lowey's work on this proposal and her efforts to introduce a bill with Representative Goodling of Pennsylvania.

Of equal importance on our list of priorities is the need to improve programs for disadvantaged students. We want to thank Congresswoman Lowey for introducing H.R. 2350, the National Liberty Scholarship and Partnership Act, that would support state-based programs of early intervention and special grant aid for at-risk youth. The effectiveness of such programs has been demonstrated by programs operating in several states, including New York, and by programs sponsored by private individuals and foundations.

In a related bill, we propose that states receive grants to be used to support pre-freshman summer programs for disadvantaged youth at colleges and universities that already provide comprehensive support services. This pre-freshman summer program was part of our larger recommendation to restructure HEA programs providing campus support services for disadvantaged students. We recommend that such programs be consolidated into one National Opportunity Program administered by the states.

In addition, we propose to strengthen the Pell Grant program by enabling recipients of that aid to be funded beyond a 9-month academic year during any 12-month period. This extension would enable low-income undergraduates to pursue summer study to complete their degrees in a timely fashion. The extension is important because summer TAP awards, which had been available for years, were cut from New York State's budget this year.

Lastly, we recognize the need to support access to teacher preparation programs. We are looking forward to Congresswoman Lowey's introduction of our Teacher

Corps bill that would support innovative programs to improve the diversity and supply of qualified teachers in the Nation and to Congressman Serrano's introduction of our Teacher Opportunity Corps bill to enable paraprofessionals working in schools serving at-risk youth to become certified teachers through part-time and summer study. Paraprofessionals in New York—many of whom are black or Hispanic—provide a valuable pool of recruits to teaching, especially in urban districts facing serious shortages of certified teachers.

I would be pleased to provide you with information about our proposals and to answer your questions. Thank you again for your kind attention.

Mrs. LOWEY. Dr. Bruce Johnstone?

STATEMENT OF BRUCE JOHNSTONE, CHANCELLOR, STATE UNIVERSITY OF NEW YORK, ALBANY, NEW YORK

Dr. JOHNSTONE. Thank you very much, Congresswoman Lowey, Congresswoman Molinari, Congressman Owens and Congressman Serrano.

I am pleased to be here, partly with a hat on as Chancellor of the State University of New York, partly perhaps as well as someone who has written in the field of economics and finance of higher education and student financial assistance for many, many years.

I've done two books, and dozens of articles, and have been on more panels with Tom Wolanin than I could count on this field.

Most recently, I've been engaged in the study of American financial aid and other nations attempting, here again to looking what we are doing for some guidance in their own systems.

Mindful also of the Red Apple bomb, I will, too, not read my testimony.

I'd rather mention five points that I think summarize—two points here and leave you with things I feel very strongly about, personally again with both of these hats.

First of all, just a moment about SUNY, we are a diverse institution of 64 campuses, over 400,000 students and we administer over $210 million in Title IV funds, including $80 million for 91,000 Pell grant recipients.

Nineteen million dollars for 39,000 recipients of campuses based programs, $111 million for 55,000 Stafford loan borrowers.

I mention this not to show off about big numbers, but to let you know that your State university badly needs these Federal programs.

In fact, we suppose—presume the basic underlying Federal commitment implied in the Pell program, the campus-based programs and the loan programs.

New York State does more with TAP than any other State. TAP and BUNDY and special programs.

SUNY is still accessible in our tuition, even though we had to go up too sharp of an increase in 1 year.

Some 60 percent increase in a year, just to maintain survivability of our system.

Without the Federal programs, we would have put access in severe jeopardy.

My second point is one that I probably feel strongest about. Talking to the four of you somewhat personal right now, and that is how Title IV works.

I implore you as I have implored others in positions like yours, not to fall into what I think is perhaps an understandable trap of lamenting its demise, alleging its failure, maintaining that it perhaps is broken or needed total vast restructuring.

It has problems as all complex aid programs do in our society. It's a big program that tries to do lots of things as it has to do.

It needs some help, it needs some fixing, it needs a lot more money, but the basic Federal Title IV design largely through the intelligence of Congress and intelligence of others and through the extraordinary period of management by financing officers has come to be a program of enormous, I would say even efficiency and purposefulness.

It does things it does because you wrote laws that way.

When you cease to want to have Federal aid accessible to students who are admissible regardless of their academic preparedness, then of course you could change the law. But that's how the law was written.

When you cease to want to have a Federal program which is available to all students regardless of their program or study, than you can of course change that.

But those are basic purposeful, meaningful, and I believe important features of Title IV as thus written and I hope that they will be preserved.

It's a program that also maximizes resources from all sources.

Anticipating a possible question for Mr. Serrano, we as a Nation have devised a complex system that relies on parents, on students and on taxpayers.

Other countries are looking to us for our ability to have a diverse system of support, leading also to donors, and philanthropists and businesses.

That again was a purpose of system when we do well. I would hope that you would retain Pell as the underlying basic grant, enhance it, consider making it an entitlement, which I think indeed it ought to be, it some day must be.

I would hope that you would retain and strengthen in the campus base programs, SEOG, Perkins Work Study, those things that maximize the flexibility and purposefulness of our financial aid profession.

And, I would finally urge you to beware of any solution that seems to work magic with access and opportunity and somehow does so with no cost to the taxpayer.

Generally, on close perusal those solutions are less than they promise to be.

Thank you.

[The prepared statement of Bruce Johnston follows:]

Chancellor D. Bruce Johnstone
State University of New York

June 24, 1991

TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION

STATE UNIVERSITY OF NEW YORK

Thank you for the opportunity to testify on the important issue of reauthorization of the Higher Education Act. My comments will focus on the Title IV student financial aid programs, their importance to the State University of New York (SUNY), their effectiveness and management and how they might be improved.

The State University of New York is a diverse institution of 64 campuses and 403,000 students. SUNY campuses administer over $210 million in Title IV funds including nearly $80 million for 91,000 Pell Grant recipients, $19 million for 39,000 recipients in the campus-based programs and $111 million for 55,000 Stafford Loan borrowers. SUNY's institutional financial aid resources are severely limited, so reliance on state and federal student financial assistance is extensive.

My testimony today will focus on broad program management themes rather than technical administrative issues. Much testimony on technical issues has already been offered by groups such as the National Association of Student Financial Aid Administrators, Congress' own Advisory Committee on Student Financial Assistance, the American Council on Education and other broadly representative groups. In general, there is consensus on the need to achieve simplification, equity, access and accountability. There is even some agreement on how to improve the programs in these important areas. Generally, SUNY supports the recommendations in documents such as NASFAA's "Plan for Reform". This proposal recognizes the limitations of the present need analysis and delivery system and makes substantive recommendations for change. I also support proposals by the College Scholarship Service to create an application "by-pass" for those who have established eligibility for other Social Service programs. These kinds of innovations will enhance the Title IV programs.

1. **The Title IV financial aid programs are vital to SUNY to meet New York State's commitment to accessible, quality public higher education.**

Although SUNY's tuition and total cost is relatively low, for many New Yorkers the University simply would be financially out-of-reach without the additional support provided by need based financial aid. The role of financial aid at SUNY must be viewed in light of the University's special mission as a public institution. The mandate of accessibility is a determining factor in the University's organization and operation. Financial Aid is really one of an array of access-related functions which include out-reach programs, educational opportunity programs, special admissions options and other practices intended to enhance access to the University.

2. **The Title IV programs are essentially sound but need better leadership from Congress and better management by the Department of Education.**

Considering the diversity and changes in American higher education, the complex legislative and funding history of the Title IV programs and the competing interests of the parties involved, financial aid functions quite well. For the most part, over the years, the programs have delivered billions of dollars to millions of students who would not otherwise have attended college. But it is also clear that the system does not function well enough to meet the demands for an educated citizenry and workforce in the 21st century. Clearly, reforms are needed. But the basic structure is sound if adequate funds are made available and the programs are not over-regulated.

A diverse set of need based financial programs is the most economical public subsidy for overcoming the enormous financial barriers to higher education. For a variety of reasons, I fully endorse making Pell a genuine entitlement. As a nation, we must demonstrate the resolve to provide the funding commitment necessary for this task. To restore the purchasing power of Pell, to re-establish its role as the foundation for other programs and as a signal to families that higher education is indeed within their reach, Pell must be made an entitlement and marketed as such.

To build on the Pell foundation, we must make a serious commitment to restoring the campus based programs. For the most part, these vehicles have been quietly and successfully operating in the shadow of concerns about Stafford Loan default rates and special allowance costs. It has been a serious mistake to allow problems in one program to undermine otherwise successful efforts. Perkins, SEOG and CWSP deserve the full commitment of Congress. For SUNY campuses and for many public institutions across the country, these programs are the only significant source of discretionary student financial aid and are therefore the only funds available to meet the needs of those students who are not adequately served by Pell Grants or Stafford Loans.

Establishing clear, operational goals for the student aid programs is the responsibility of Congress. Clear objectives will assist the department in understanding and carrying out the intent of Congress and will assist other partners in meeting those same goals.

3. **Congress should refrain from addressing the needs of small, special populations through legislation and rely on the professional discretion of Financial Aid personnel to assure the programs are equitable at the level of the individual.**

Students and institutions are continuing their march toward diversity. No centrally defined statute or regulation can foresee all the circumstances to which it will be applied. For that reason, reliance on the professional judgement of financial aid administrators is both indispensable and desirable. The case of dislocated workers and displaced homemakers are good examples.

4. **Congress should refrain from using the student aid funds as an instrument to achieve worthwhile but unrelated social goals such as selective service, registration or drug abuse deterents. This practice adds complexity and confusion for all participants in the programs and undermines their success.**

Congress makes a management decision when it allows the single purpose of the student aid programs to be diluted by the pursuit of other, unrelated social goals. These desirable policy objectives, including selective service registration, anti-drug abuse measures and immigration status checks, encumber both the application and the flow of funds to students.

5. **The Department of Education, with the support and encouragement of the Office of Management and Budget, should reconsider its policy of management of the programs by regulation.**

Recently, the Department has been criticized for failing to properly manage the Title IV programs. Their early response suggests a continuation of the department's pattern of management by over-regulation. Instead, there should be reliance on somewhat more modern management practices. These include performance standards, developed in cooperation with institutions and which recognize the diversity of higher education and student populations. Wider use of the department's own quality control project is another example. The use of performance standards which recognize institutional mission and diversity, as well as past levels of compliance, is a progressive management concept. Presently the Department has no procedure for acknowledging successful administration of the programs, only penalties for failures.

6. **When only a regulation will address a particular issue, a broadly representative group like the Student Financial Advisory Committee should be consulted in the initial formulation of regulatory language.**

The University supports the American Council on Education's suggestion that Congress require the Department to engage in negotiated rulemaking. Often, inadequate time is provided for public comment. It is an unfortunate reality that, on the eve of this coming reauthorization, final regulations from the reauthorization of 1986 are still pending. This suggests that the intent of Congress is not being carried out in a timely manner. Negotiated rulemaking is a concept worth trying.

Mrs. LOWEY. Thank you very much.
Dr. Patricia Ewers, President of Pace University.

STATEMENT OF DR. PATRICIA EWERS, PRESIDENT OF PACE UNIVERSITY

Dr. EWERS. Thank you, Congresswoman Lowey, and members of the House Subcommittee on Postsecondary Education, and I thank you for inviting me to testify.

I am Patricia O'Donnell Ewers, President of Pace University, a comprehensive, independent institution with over 18,000 students who are located on five campuses in New York City and in Westchester County.

Clearly, there is no greater threat to the future of our country than an education system that fails to produce literate, skilled, socially responsible men and women.

The moment is at hand to design a higher education act that provides access and opportunity for all Americans that seek them.

This includes a large and growing population of non-traditional students, 24 years of age and over, independent of their parents' support, often parents themselves, and usually only able to attend school part-time because they must work and care for themselves and, often, their families.

Many of these students are participating in higher education for the first time, while others are preparing for career changes that may be one of several such upheavals that they will have to make as a result of economic conditions.

I am privileged to be president of a university whose tradition has historically included a commitment to the working adult that promises accessibility opportunity and quality.

Today, 51 percent of the total student body at Pace University is over 24.

But the adaptations that institutions make are often insufficient to determine the needs and support the needs of non-traditional students, and policies that determine financial support and the processes by which it is allocated can serve to help or hinder aspirations.

I am here today to advance a special plea on behalf of this rapidly growing population that those pondering the reauthorization carefully consider the distinctive needs of the independent student when looking at funding levels, eligibility and the mechanisms for accessing and managing financial assistance.

I call to your attention the following areas of concern:

First, the Pell Grant aid to students attending college less than half-time should be restored.

Second, "base-year" income is not a reliable predictor of the financial capability of older independent students whose income may be significantly reduced by attending college. Financial aid officer's discretion should be restored.

Third, the Congressional Methodology for assessing need should be amended to provide for greater sensitivity to differences between traditional and non-traditional students.

Fourth, recognizing the erosion in the value of loans due to inflation, loan limits should be raised but restricted during the first 2 years of schooling, rising as the student's commitment to the course of study intensifies, thereby diminishing the potential for default.

In addition, I want to emphasize the critical need that our Nation faces for training new cadre of talented teachers.

They require a diligent revision and simplification of Title V to encourage any and all motivated students to pursue careers in teaching.

The mid-career training program should not be competitive, but should welcome all qualified candidates.

The Teacher Corps, debt forgiveness in return for service, and continuing professional development programs are essential.

As part of my testimony, I am also obligated by the seriousness of the national educational picture, to call to your attention other area of concern which must be considered as part of the development of a national educational policy that will provide us with literate citizens who can support a developing economy.

These key issues include:

Recognition that requirements for public schools to provide social, medical and nutritional services to their students in addition to academic courses, have had a major negative impact on the quality of learning.

As necessary as these programs are, they have deflected time, energy, space and resources away from the educational enterprise.

Second, immigration policies of this Nation have placed the onus of educating the nearly six million new immigrants on six cities whose financial resources are already overburdened.

Within the next 5 years, New York City will have to absorb 200,000 new students into public school system with no foreseeable additional resources.

The Federal Government will have to find help.

Third, the recommendation of the administration to reduce the eligibility for Federal aid programs will have a serious long-term effect on the ability of the middle class to participate in higher education.

Eligibility should be expanded to families with incomes up to $43,000 to increase participation of working-class families.

Fourth, legislation should be enacted to make Employee Educational Assistance a permanent part of the tax code, including graduate education.

The United States faces a more serious challenge from its failure to provide adequate education for the future than it faced from the crisis in the Middle East or from its Cold War adversaries.

The ability to provide a meaningful national educational policy with appropriate resources to support it, is essential to our Nation's survival.

Thank you.

[The prepared statement of Dr. Patricia Ewers follows:]

TESTIMONY BY PACE UNIVERSITY PRESIDENT
PATRICIA O'DONNELL EWERS
AT A PUBLIC HEARING BEFORE THE
HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION

Monday, June 24, 1991
9:00 a.m.
New York University
The Great Hall in
D'Agostino Hall
110 West Third Street
New York, New York

Congresswoman Lowey, and members of the House Subcommittee on Postsecondary Education, I thank you for inviting me to testify at this hearing on the reauthorization of the Higher Education Act. I am Patricia O'Donnell Ewers, President of Pace University, a comprehensive, independent institution with over 18,000 students in undergraduate, graduate and special programs on five campuses in New York City, White Plains and Pleasantville/Briarcliff in Westchester County.

Clearly, there is no greater threat to the future of our country than an education system that fails to produce literate, skilled, socially responsible men and women. The moment is at hand to design a Higher Education Act that provides access and opportunity for all Americans who seek them, and this includes a large and growing population of non-traditional students -- 24 years of age and older, independent of their parents' support, often parents themselves, and usually only able to attend school part-time because they must work and care for themselves and, often, their families. Many of these students are participating in higher education for the first time, while others are preparing for career changes that may be one of several such upheavals that they will have to make as a result of economic conditions. I am privileged to be president of a university whose tradition has historically included a commitment to the working adult that promises accessibility, opportunity and quality.
Today, 51% of the total student body at Pace University is over 24;

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26% of our undergraduates, and 86% of our graduate students!

Adaptations that institutions make are often insufficient to support the needs of non-traditional students, and policies that determine financial support and the processes by which it is allocated can serve to help or hinder aspirations. I am here today to advance a special plea on behalf of this rapidly growing population that those pondering the reauthorization carefully consider the distinctive needs of the independent student when looking at funding levels, eligibility and the mechanisms for accessing and managing financial assistance. I call your attention to the following areas of concern as they affect the non-traditional student:

SIMPLIFICATION OF NEED ANALYSIS SYSTEM

1. Pell Grant aid to students attending college less than half-time should be restored.
2. "Base-year" income is not a reliable predictor of the financial capability of older independent students whose income may be significantly reduced by attending college. Financial aid officer discretion should be restored.
3. The Congressional Methodology should be amended to provide for greater sensitivity to differences between traditional and non-traditional students.
4. Recognizing the erosion in the value of loans due to inflation over the past decade, loan limits should be raised but restricted during the first two years of schooling, rising as

the student's commitment to the course of study intensifies, thereby diminishing the potential for default.

TEACHER TRAINING

1. The critical need that our nation faces for training a new cadre of talented and dedicated teachers over the next decade requires a diligent revision and simplification of Title V to encourage any and all motivated students to pursue careers in teaching. The mid-career training program should not be competitive but should welcome all qualified candidates, and a Teacher Corps, debt forgiveness in return for service, and continuing professional development programs are essential.

As part of my testimony, I am also obligated by the seriousness of the national education picture, to call to your attention other areas of concern which must be considered as part of the development of a national education policy that will provide us with literate citizens who can support a developing economy in the next century. These key issues include:

1. Requirements for public school systems to provide social, medical and nutritional services to their students in addition to academic courses. This would have a major impact on the quality of learning.
2. The immigration policies of this nation have placed the onus of educating the nearly six million new immigrants on six cities whose fiscal resources are already overburdened. Within the next five years, New York City will have to absorb

200,000 new students into the public school system with no foreseeable additional resources becoming available. The Federal government will have to find resources to help deal with this problem.

3. The recommendation of the Administration to reduce the eligibility for Federal aid programs will have a serious long-term effect on the ability of the middle class to participate in higher education. Eligibility should be expanded to families with incomes up to $43,000 to increase participation of working-class families and students attending baccalaureate degree-granting institutions.
4. Legislation should be enacted to make Employee Educational Assistance (EEA) a permanent part of the tax code, including for graduate education.

The United States faces a more serious challenge from its failure to provide adequate education for the future than it faced from the crisis in the Middle East or from its Cold War adversaries. The ability to provide a meaningful national education policy with appropriate resources to support it is essential to our nation's survival.

Thank you.

Mrs. **Lowey**. Thank you, Dr. Ewers.

I think I'll defer to my colleagues first. Ms. Molinari?

Ms. **Molinari**. Thank you.

I would, of course, like to welcome all our participants here today, in particular, out of a note of solidarity, Dr. Johnstone, I am a Albany State graduate myself, both undergrade and masters——

Dr. **Johnstone**. I knew that there was something about you.

Ms. **Molinari**. My education in that system served me quite well and I want to take this time to thank you for giving me the opportunity to access that affordable quality education.

Along the lines, it seems to me I was jumping ahead to one of the points, Doctor, that you mentioned, that you had written in your testimony, did not get a chance to mentioned, and Dr. Ewers briefly touched on it.

I would like you both if you would, to expand upon the usage of student aid monies and Dr. Johnstone's point in particular for unrelated to educational programs.

I believe you mentioned, Doctor, in your——

Dr. **Brademas**. Yes, I did. I would also——

Ms. **Molinari**. [continuing] and, Dr. Ewers, you also mentioned it at the end of your testimony.

Dr. **Brademas**. A very simple point.

I think it's tempting, distressfully tempting of Congress to attempt to solve other worldly aims and programs such as combating drug abuse or enforcing collective service registration, through the leverage they presume to exist within the financial aid system.

I suppose there are levers available in all types of broad scale entitlements in grant programs, but they come at a severe cost of complexity of regulatory morass.

As a general proposition, I would hope that Congress and that you would help the Congress to resist using the financial aid system to do anything other than to expand higher educational opportunity.

Ms. **Molinari**. So part of your point is, it stresses your administrative capabilities?

Dr. **Brademas**. Yes.

Ms. **Molinari**. In terms of enforcement?

Is that basically——

Dr. **Brademas**. Indeed it does.

Dr. **Ewers**. Well, I think it's more than that.

I think it's a failure to recognize that the problem has to be addressed somewhere else, because we are there and accessible.

It goes through kindergarten straight through higher education, because we exist as a system in place. Perhaps the only system in place.

The temptations has been to drive all of the social programs and all of these educational aspects into the education system.

If you look at what we have to deliver from first grade on, I think you will find that there is a very real reason why a lot of educational activity has diminished.

Ms. **Molinari**. So we're basically doing too much with too little and straining the system?

Dr. **Ewers**. Absolutely.

Ms. **Molinari**. I think that's a point very well taken and one we've not focused on to this point, obviously.

Mrs. **Lowey**. Mr. Serrano?

Mr. **Serrano**. I'm going to run the danger here of bringing up a subject that we probably won't solve anytime soon.

But I was very intrigued by President Brademas telling us that one should mix how a student's education is funded, and you agreed with him.

You made the same statement. Being this has always been a concern of mine, I ask, am I missing something?

Is there an academic reason why it's better for different sources of funding?

Is there something dangerous about telling every child upon birth, this country will guarantee you an education?

They don't seem to guarantee anything else. We are still debating whether we to guarantee a health plan or affordable housing.

It would seem to me, certainly from the district I represent, which is the poorest of the Nation, that in the meantime while we solve or try and solve other problems, the best shot of having people solve their own problems is having them get a full education.

I would like to see it all the way through. Yet I am hearing that it's mixed funding including your own hard work that is important.

So I'm asking, what is the danger in saying to Johnny, "You're taking care of if you desire to go?"

Dr. **Brademas**. I think you're asking a tricky question about tuition of which I've done a great deal of thinking in recent years as you well know.

I will give two broad answers to your inquiry.

One is a matter of proprieties. I can rather easily conceive of a society which, in fact, provides free higher education to all of its citizenry.

But when I look at the society I live in, and I look at the proprieties of needs of claims upon the taxpayers' dollars, my dollars, in which I entrust to you to use with whatever wisdom you can, and I see the extraordinary needs in health and housing and environmental degradation in basic public infrastructure, and I look at a system which is working rather well right now, which free tuition for all guaranteed would actually roll back a currently given parental and student contribution, I have to think how worthy, how important is that claim on new taxpayer dollars compared to the extraordinary claims that I see out there, yet unmet in the others.

So that's the priority reason, Mr. Serrano.

The other reason is, even if there were enormous sums, hundreds of billions of taxpayer dollars and you had solved the other problems, and perhaps you shall down the road in 20 years or 30 years, will there then remain some other positive reason for students and parents bearing some portion of the cost of higher education?

Probably less of parents, frankly. I think the relevance of the parent to the dependent student has become less and less. But for students, I think it can be argued even if all these things could be solved, that there is some advantage to students in having some sacrifice, some claim on the resources necessary for a small portion of their higher education, with the rest falling to the taxpayer.

They will indeed reap advantages including monetary advantages.

Perhaps paying something will lend more semblance of worth to it, more efficiency in getting in and out.

So I can see a positive reason anyway, but frankly for the moment the overwhelming public needs which require taxpayer dollars, is sufficient for me to say, I would not put free tuition as a top propriety of mine as a citizen for taxpayer dollars.

Mr. **Serrano**. Just one further comment.

It seems to me, as you know, we have this system in Congress by which, before we recess, there are one-minute statements made by any member of Congress which could add up to 435 statements.

I'd like to take a survey, but I bet you the most topical issue, is how are we going to compete with Japan.

Yet we are not willing to guarantee our students a right to an education.

So I'm wondering, are we doubletalking as a Nation in this competition with the Japanese, or is it that we're going to compete on our terms and continue to do it our way?

Dr. **Brademas**. Well, Japan has a decidedly inferior postsecondary higher education to ours and furthermore it is not free, they rely enormously upon the private sector to develop—to deliver the higher education needs without a grant program to support it.

So it will be Japan who will be looking to us, I can guarantee, Mr. Serrano, both for the quality and for funding and financing of postsecondary higher education.

Mr. **Serrano**. All right, I almost give up.

Dr. **Healy**. Mr. Serrano, outside of Japan we are the only highly industrialized Nation that hangs tuition on the student.

Mr. **Serrano**. It's the wrong Nation.

Dr. **Healy**. I agree with John, it's the richest Nation of the world. I worked for 7 years for the City University when it was free tuition.

I didn't notice any lack of motivation or any problem. But what we did find out was that urban kids starting—most of them at age of 18 or 19, given their freedom where there was no penalty on stretching higher education out, would take 5 or 6 years, even at Queens College, the average graduation was 11 semesters.

That's how kids would get a job, would support themselves and so forth.

Every student makes enormous contribution with a city like New York, and his family makes exactly that same kind of contribution.

If you're looking for sacrificial blood, that's where to find it. We got caught in the squeeze of the city's finances in 1975 and the City University alas went to a tuition package.

But in Britain, in France, in Germany and on in the Scandinavian countries they manage somehow, and readily with a smaller potential.

Yet I suspect when you had years later, they don't come out with a much lower graduation rate than we do.

The problem with the City is are you to take a chance on a 100 percent to get 60.

That's where the system came apart in the past. Please don't give up.

It's a good idea to have somebody in Congress who is thinking along these lines.

Mr. **Serrano**. How could we give up with this panel?

Mrs. **Lowey**. Major Owens?

Mr. **Owens**. Dr. Healy, I'm sure you saw just as I did, the front page of the science section of the New York Times a few weeks ago, where they had a discussion of citation analyses where they showed how the greatest of nations is now being measured by the number times their footnotes—footnotes from their scientific articles and patents are cited.

They had a map that showed Japan at the rate of its citations being cited is so great, if you were to put it on map it's been elongated—it stretches out beyond most of the other nations.

Dr. **Healy**. And increasing, Congressman, they're publishing in Japanese by choice. It sort of frosts us out.

Mr. **Owens**. Yes, you anticipated my question.

If citation analysis is going to determine the greatness of our Nation, especially in the area of technology and science which is so critical, why do we continue to have this blind spot on a proposal like yours, which is so obvious and really doesn't cost that much?

You said the use of Federal funds in this area of purchasing foreign periodicals and journals, should therefore be targeted to those research libraries and have comprehensive current and retrospective foreign research collections, and have the capability to make those collections accessible to use throughout the country.

Is the problem in the last part of that statement that——

Dr. **Healy**. No.

Mr. **Owens**. —they really don't believe that these select universities that receive the funds for this are going to make them available throughout all these countries and therefore, we have this block——

Dr. **Healy**. No——

Mr. **Owens**. [continuing] both Congress and the President——

Dr. **Healy**. I can testify to you, the reason I put that in there, is because you need the staff that could catalog.

We catalog in 3,000 languages at the New York Public Library.

A lot of them are dead languages, but still the 3,000 are all there.

What you need to make this work are library staffs that could handle that kind of cataloging. Availability is very easy.

You cannot name a university in the United States that isn't in to the New York Public Library at least once a week for something.

Quite literally, I mean, hundreds upon hundreds of universities and college libraries use us.

We ask them to use us as a last resort, to go first to Harvard and Yale, Cornell, and Chicago and Texas and Illinois and the other great national libraries.

But it's just those great national libraries that are most into the New York public——

Mr. **Owens**. Well, the administration would contend that the National Technical Information Service meets a lot of these needs.

What would be your comment on that?

Dr. **Healy**. Some of it does. A matter of fact, not enough of it does.

National Technical Information doesn't have the long range stuff which is the basic.

Mr. **Owens**. "Miracle on Line" is a vague, very small part of the American 2000 plan that has been put forth by the administration for education.

Is there a comment on that?

Dr. **Healy**. I read it, sir. First of all, I wasn't quite sure what it meant and it didn't sound very detailed or particularly informed. Sorry.

Mr. **Owens**. Could the higher education research libraries develop a proposal for us to——

Dr. **Healy**. I think so. If there were a competitive base to try, I suspect you could have the system up and running within a year.

Mr. **Owens**. Thank you.

Mrs. **Lowey**. Thank you, and I want to thank the entire panel.

I'd like to begin with—I'm not giving up my time yet—in fact, you're not getting off that easy.

I'd like to begin with Mr. Batista.

First of all, I'd like to thank you and your staff. You've been invaluable to me in providing assistance and crafting and drafting legislation and I do want to thank you, both your staff in Albany and in Washington.

We have been talking a lot about guaranteed education, and I think it's appropriate that this week happens to be the 10th Anniversary of Eugene Lang's, "I Have a Dream Program."

They are meeting in New York for a three-day convention of the "I Have a Dream" program I have known Eugene Lang for about 30 years, and based upon that, I introduced the National Liberty Scholarship and Partnership Act, that does guarantee to every youngster the possibility of having a college education.

In addition to that, it provides early intervention, because I think one of the most critical things we have to do today is not only provide for that college education, but to make sure that that youngster is prepared to go to college.

So I am very pleased to introduce that bill, and I am just hoping that it will be part of the reauthorization and we'll be working very hard to make sure that it is.

Because as far as I'm concerned, and I agree with my colleagues, a youngster should not have to worry about finances to obtain a college education, which would enable that person to go on and be competitive in this world today by getting a job.

However, because of time constraint today, I just want to focus on the oversight of postsecondary educational institutions, because as we all know, eliminating waste and fraud is one of our critical challenges if we're going to get the support of the public and if we are going to direct our resources to these youngsters.

To that end, I've introduced H.R. 2716, calling on each State to establish a postsecondary approval agency to review the qualifications of colleges and universities.

If the programs of a particular school are of poor quality, the approval agency would notify the Secretary of Education to eliminate that school's eligibility for student aid.

Now, my question is this: We all know that in some States the recent record in oversight is not terrific. In fact, it's spotty at best.

Why do you believe we should now turn to the States to be the centerpiece of our efforts to control the approval of colleges and universities for participation in student aid programs?

Mr. **Batista**. Well, there are several reasons.

First, and I can only speak for New York State because I'm most familiar with that. The institutions are not unknown to us.

We have an extensive relationship from the inception of an institution as chartering to all of its programing so that the State of New York in particular is in a very extended and sometimes too intimate relationship with many institutions, generally.

Secondly, we have in place because we had similar problems with the use of State funds, legislation and a process which is now about a year and a half old, which is very, very comprehensive in its efforts to protect the rights of students, the equality of the program they receive, the efficiency of the institutions providing the education, so that this would be building upon an existing activity which the current format is only a year and a half old.

We have been at this for a number of years, 8 years or more.

So that you're building upon extensive experience in protecting and ensuring the effective use of funds in similar programs that are funded at the State level.

Thirdly, the State educational department in New York State, has a series of eight programs to administer for students which give the State education department the experience and the opportunity to hear from, understand and be responsible to the needs of students, particularly what programs are not serving their needs.

All of that taken together, I think that New York State in particular and I believe other States would be in a much better position than a Federal administration to oversee these funds.

Mrs. **Lowey**. Thank you, and I think it's important to also stress that we are looking to prevent defaults.

But we don't want to threaten the institutions and we don't want to threaten deserving students and that's why we want to focus on prevention.

How do you we prevent these defaults from occurring?

In fact, perhaps you can comment further on focusing our default reduction efforts on preventing defaults before they occur.

Mr. **Batista**. Based on New York State experience, one of the tragic aspects that we found when we were looking at the State funded program was that students were lured into programs for which they were not prepared.

It became a revolving door. They were taken advantage of.

They were offered opportunities which were not real at the end process, because a student just could not perform and achieve what the program anticipated.

Later the program was a valid program. In many instances, the program itself was not a valid educational offer to the student.

It was not being conducted with integrity, was not staffed appropriately, the scheduling, all the many aspects were not as they should be.

So that one of the ingredients in the State program is to register programs and ensure that the offering has integrity and that it makes sense.

Secondly, is to look at who it is offered, who is eligible, and what is expected of the student before they enter the program so there is a fair offer and understanding.

I, for example, looked at for many years at the offerings in foreign languages, particularly in Spanish.

Students are made to believe or led to believe that incredible things would be offered to them, that they would be able to achieve.

Because of their enthusiasm, their faith, their innocence, they're taken advantage of, because they are so enthusiastic and because of the third-party payer.

The State has looked at these things. We do have, what some people say, far too intricate, intermit, and evasive a process to assess the institution, assess the offering and the eligibility of students and the sequence of education.

We may have gone too far in that direction, that's why the program will be reviewed in a year and a half.

It's a 3-year effort and we perhaps will make some adjustments.

But we certainly have tightened up to ensure that the students are offered real opportunities that they are capable of taking advantage of.

Mrs. LOWEY. Thank you.

Dr. Ewers, you talked about our non-traditional students and from my experience, non-traditional students are becoming the traditional students in part because of the cost of education.

In so many instances, our students are trying to work just to support their tuition, and to support a family. There is a particularly severe strain on these students, and I think it's so important as we reauthorize the act, that we address the specific problems faced by these students.

In your testimony, you suggested that we need to restore the Pell Grant aid to those who attend college less than half-time and that loan limits should be increased but only during the latter years of the student's education.

Our Chairman is the major advocate of shifting the overall balance of grants and loans more in the direction of grants, particularly in the early years and particularly for disadvantaged students.

I wonder if you could expand upon why this is particularly important for the non-traditional students or shall we say the "new traditional" students?

Dr. EWERS. I think the interesting problem here is that the burden of debt in itself becomes a disincentive to continue, and that particularly working people, people who have families to support as they watch those debts pile up, become dispirited and often when you add that to the burden of going to class day after day, year after year, we have had a number of graduations recently.

I can tell you the number of people who have completed their degrees over 10 year periods, 12 year periods.

The resources and the stamina that that takes is absolutely enormous, and it doesn't take an awful lot to shatter the balance in those circumstances.

Insofar as the debts are concerned and the payment, what you have in the system that gives grants in the beginning is a much easier circumstance to determine whether or not this person is going to persist.

You have a track record in place, you have someone who is already gotten some momentum into the educational system.

The likelihood of their continuing is much higher and much greater, and for that reason, I think you will find that portion of the student population that defaults will be sharply reduced.

Mrs. LOWEY. Thank you.

Dr. Healy, just one comment. I was pleased to see that your comments actually dovetailed with Dr. Brademas as to the importance of research materials from foreign sources to our competitiveness in the world today.

I was pleased with your comment on the Airbus and wondered myself, where were we.

In regard to that, I wonder if you could elaborate in how often the New York Public Library makes their materials available to researchers and scholars around the Nation?

Dr. HEALY. It would be a difficult number to give you, but let's just say requests from other university libraries, several hundred per week, on a total year, thousands upon thousands.

There are a variety of ways of doing this, but the classic one for libraries is interlibrary loan.

Mrs. LOWEY. Do you have any sense of how we are suffering in terms of competitiveness as a result of the lack of the appropriate resources to invest in these research materials?

You mentioned that your dollar buys 50 percent less than it used to.

Dr. HEALY. What's happening in universities across the Nation, there has been a 50 percent decline in foreign purchases.

There are very few libraries, which like the Library of Congress New York Public Library, makes 65 percent of their purchases abroad.

But we're talking about acquiring 300,000 400,000 items, books or other things a year.

What's happening in university libraries is that they had to cutback.

The most expensive area, the most inflationary area and the area where the dollar buys the least right now, is the foreign.

It's the foreign that gets cut. But more and more, that's cutting out our capacity to deal with things.

I don't blame that for the Airbus.

I think the Airbus is a bunch of people who——

Mrs. LOWEY. Too bad you don't blame them.

You see, you have believers here. So we need some concrete examples that we could sell to our colleagues and perhaps you can give us some additional information so that we could send that point home.

Competitiveness is something that everyone talks about. So if we can attach you work to the competitiveness issue, perhaps we could win.

Dr. **Healy**. I would be very glad to send you the exact numbers and details on it. They're pretty staggering.

All the research libraries in the world only pick up about 15 percent of what's published.

That's why, for instance, we catalog material fully.

One-third of it is not cataloged anyplace else in the United States, including the Library of Congress.

Ditto, the same thing is true for the Library of Congress vis-a-vis us. It not as though somebody has the whole bag of marbles.

It's the selective choice, and this is why I lean on expertise, of what is the essential, what's necessary, and what's more useful to purchase.

The point is, we're skidding, and we are skidding badly. We're skidding in public universities and in private universities. There's no distinction here.

We're even skidding in the Library of Congress. We're trying to fight to hold on, but more and more of our resources go into the smaller and smaller purchase of foreign materials.

That's where nationally the whole system needs help.

Mrs. **Lowey**. Thank you.

Do my colleagues have any additional questions for this panel?

Otherwise, thank you very much. I appreciate your testimony and don't hesitate to send us additional testimony.

Thank you.

Will the next panel come forward?

Ms. Elsie Collazo and Ms. Lucy Thurber. With Ms. Elsie Collazo will be Jane Stevens.

As we welcome the next panel, I would like read a letter that was sent to the committee from a student aid counselor.

I would like to just read a couple of paragraphs from a letter that was sent to the committee from the student aid counseling department of a local university

"During Robert's junior and senior years of high school, I told him to strive for the best and if he worked hard enough he would be able to attend any college in America, a fact that has come back to haunt me, since I had no idea how to make this thing materialize. I earnestly thought that funding would be available to assist my family in achieving this goal. I am learning valuable lessens that will help—if I'm not bankrupt from the cost of Robert's education when it is time to send my daughter to college.

"In stressing the value of education, I've always stressed the need to give back twice the amount you received.

"How does one acquire this precious commodity? Where is all the money that is expounded in magazines and in periodicals? How do we break out of the rut? Are the wealthy and the educated the only ones able to educate their children? These are a few of the questions I find myself asking. Even though the answers are not forthcoming, I refuse to believe that my son will not have the opportunity.

"We are working class people, struggling to somehow get ahead, yet one paycheck from disaster. Our family is rooted deeply in the tradition of ethnic pride with very solid values.

"My foremost objective in the pursuit of the dream was to make the world a better place for my children to live."

The letter goes on, but here are a couple of the key paragraphs talking about her financial statement. She says, "In February, I withdrew from my savings plan all funds available to make a $2,000 tuition payment."

Then she goes on, "My husband withdrew $4,000 from his savings fund to reduce the amount on another account."

"My husband and I have used every source available to cover tuition and living expenses this past year. We knew the first year would be difficult, and assumed that a large financial award would be available for the 1991-1992 term. I need your help for securing an education for Robert. Please review the enclosed information."

These are the kinds of letters that I understand that our student aid councelors are getting every day.

In fact, we just heard of another one, where a youngster was out there selling blood to pay for her tuition and got sick because she was balancing school and a job, so that's what we are here to focus on with this panel.

In that regard, I am very pleased to first welcome Ms. Collazo. Won't you begin?

STATEMENT OF ELSIE COLLAZO, FORMER STUDENT, BRONX, NEW YORK

Ms. COLLAZO. My name is Elsie Collazo. I live in the Bronx on East 196th Street. At the present time I am unemployed and looking for a job.

In the fall of 1987, when I was a senior at DeWitt Clinton High School, a recruiter for ABI, the American Business Institute, approached me on the Grand Concourse in the Bronx.

He told me that computers were the "way of the future." He said, that ABI could provide me with great computer training and would get me a job as soon as I finished.

I was very interested in what ABI said because I knew I would be graduating from high school soon and I wanted to have a skill to get a good job.

I visited a branch of ABI on the Grand Concourse and had an interview with a saleswoman there.

I told her I was in high school and could not attend ABI right then.

She told me it wasn't a problem because ABI had evening courses. She said that ABI would accommodate my high school schedule.

She said that ABI was an excellent school and that when I graduated from ABI I would be qualified for a high-paying position in wordprocessing, data entry and other computer related fields.

She also said that ABI would set up interviews with employers for me. I was very impressed.

She signed me up that same day for a 9 month Word Processing program and set up an appointment with another ABI employee to finalize the paperwork.

When I returned for my appointment, I met with a man who described himself as an ABI Admissions Representative.

He filled out a lot of papers, and had me sign them. He told me that they were financial aid papers.

He told me that Pell grants would cover my tuition cost at ABI.

He never mentioned anything about loans. He told me that ABI would give me money for car fare and other expenses for my attendance at ABI, but I never received any money from ABI.

He also told me the school would refund money received on my behalf if I withdrew before graduating.

I started attending classes at ABI in November of 1987. I attended four evenings a week, from 6 to 10 p.m., while going to high school during the day.

I was very disappointed when I found out what ABI was really like.

The classes at ABI were very disorganized. The teachers were unprepared.

The teachers did not care whether you did the homework or not.

They let people talk in class, instead of paying attention.

Many of the typewriters were broken and there was only one typewriter for every two students. I was never given instructions on a computer.

For those reasons I became very discouraged about the program at ABI.

Also, I found out that I could not keep up with high school during the day and ABI at night.

My high school grades were going down a lot. I spoke to the people at ABI, but they said they would not alter my schedule at ABI to allow more time for my high school work.

They said if I failed the ABI courses, I could just repeat them and pay for the courses again by taking out additional financial aid.

In February of 1988, I told ABI officials that I was withdrawing from their school because of the poor quality of the school and because I did not want to undermine my high school work for a shoddy program.

When I asked them about my financial aid, they told me that ABI would refund the money to the government.

After I left ABI, I started getting bills from a bank. Only then did I realize that some of the financial aid at ABI received on my behalf was a loan, which I'm responsible for paying.

I also later found out that none of the financial aid had been returned by ABI.

Instead I am being sued for the full amount of the loan by New York State, because I have been unable to make payments.

I would like to attend college, but I am now ineligible for financial aid, because I am in default on this loan.

I feel very demoralized that I was taken advantage of.

I also feel angry that ABI got away with the money, while I have a debt without any education to show for it.

I hope that my testimony today will help convince Congress to change the law to prohibit schools like ABI from taking government money and from misleading other students.

[The prepared statement of Elsie Collazo follows:]

PREPARED STATEMENT OF ELSIE COLLAZO

My name is Elsie Collazo. I live in the Bronx, on East 196th Street. At present I am unemployed and looking for a job.

In the fall of 1987, when I was a senior at DeWitt Clinton high School, a recruiter for ABI, the American Business Institute, approached me on the Grand Concourse in the Bronx. He told me that computers were the "way of the future." He said that ABI could provide me with great computer training and would get me a job as soon as I finished. I was very interested in what ABI said it offered, because I knew I would be graduating from high school soon and I wanted to have the skills to get a good job.

I visited a branch of ABI on the Grand Concourse and had an interview with a saleswoman there. I told her I was in high school and could not attend ABI right then. She told me it wasn't a problem, because ABI had evening courses. She said that ABI would accommodate my high school schedule. She said that ABI was an excellent school and that, when I graduated from ABI, I would be qualified for high-paying positions in word-processing, data entry and other computer-related fields. She also said that ABI would set up interviews with employers for me. I was very impressed. She signed me up that sane day for a 9-month Word Processing program and set up an appointment with another ABI employee to finalize the "paperwork."

When I returned for my appointment, I met with a man who described himself as an ABI Admissions Representative. He filled out a lot of papers, and had me sign them. He told me that they were financial aid papers. He told me that Pell grants would cover my tuition and costs at ABI. He never mentioned anything about loans. He told me that ABI would give me money for carfare and other expenses for my attendance at ABI, but I never received any money from ABI. He also told me the school would refund money received on my behalf if I withdrew before graduating.

I started attending classes at ABI in November 1987. I attended four evenings a week, from 6 to 10 p.m., while going to high school during the day.

I was very disappointed when I found out what ABI was really like. The classes at ABI were very disorganized. The teachers were unprepared. The teachers did not care whether you did the homework or not. They let people talk in class, instead of paying attention. Many of the typewriters were broken and there was only one typewriter for every two students. I was never given instructions on a computer.

For those reasons, I became very discouraged about the program at ABI. Also, I found that I could not keep up with high school during the day and ABI at night. My high school grades were going down a lot. I spoke to the people at ABI, but they said they would not alter my schedule at ABI to allow more time for my high school work. They said if I failed the ABI courses, I could just repeat them and pay for the courses again by taking out additional financial aid.

In February 1988 I told ABI officials that I was withdrawing from their school because of the poor quality of the school and because I did not want to undermine my high school work for a shoddy program. When I asked them about my financial aid, they told me that ABI would refund the money to the government.

After I left ABI, I started getting bills from a bank. Only then did I realize that some of the "financial aid" ABI had received on my behalf was a loan which I was responsible for repaying. I also later found out that none of the financial aid had been returned by ABI. Instead, I am being sued for the full amount of the loan by New York State, because I have been unable to make payments. I would like to attend college, but I am now ineligible for financial aid, because I am in default on this loan.

I feel very demoralized that I was taken advantage of. I also feel angry that ABI got away with the money, while I have a debt without any education to show for it. I hope that my testimony today will help convince Congress to change the law to prohibit schools like ABI from taking government money and from misleading other students.

Mrs. **LOWEY**. Thank you, Ms. Collazo. You really did well, and I want to ensure you that your contribution today we hope will prevent other students from having that same disastrous experience. So I really want to thank you for appearing here.

Ms. Thurber?

STATEMENT OF LUCY THURBER, STUDENT, SARAH LAWRENCE COLLEGE, BRONXVILLE, NEW YORK

Ms. **Thurber**. My name is Lucy Thurber. I am 21 years old and entering my senior year at Sarah Lawrence College in Bronxville, New York.

I have been asked to testify about my own experience concerning financial aid.

My mother is a single parent and I do not know my father. I do know that he is Hispanic and that I am half Columbian.

When I was young, my mother used to steal out-of-date food from the back of supermarkets to feed me. I was a welfare child.

At times, my mother and I have been homeless. We have lived in a school bus, and in a house without a roof.

We have lived more than one winter without heat, and one winter without running water because our pipes burst and we could not afford to fix them.

A single mother with a female child is also vulnerable and easily taken advantage of.

Sometimes, my mother and I were forced to live with drug dealers and small town criminals in order to have enough money to pay the rent.

Fortunately for me, my grandfather wanted me to attend private high school. I took the opportunity.

I was a scholarship student all through high school and my grandfather paid the rest of the expenses.

It was difficult for me to attend these schools. All of my friends had nicer clothes, spoke better, were given an allowance to do laundry and buy toothpaste and shampoo, and I was not.

Doing well academically and socially to me was a miracle in itself.

My grandfather paid my bills for school and my mother gave me emotional support, but in terms of practical explanations of how to do practical things, it was my job to find out.

I found my own high schools. I called, got the information, applied and set up the interviews.

In my senior year of high school I asked the college counselor about financial aid for college. She informed me she did not have much information in that area.

I operated under the assumption that one applied for financial aid after being accepted to a school.

I am not trying to blame this on my college counselor. In the end it was my responsibility and my family's.

The facts of my life are not a "sob story." They are not meant to cause pity.

The same situations and worse ones happen to thousands of children every day.

The point, however, is to show how this relates to Sarah Lawrence and higher education as a whole.

The result of my not applying for financial aid until after I was accepted meant that the College had by that time run out of its own financial aid.

Therefore, I was left to rely on whatever Federal and State sources were available to me.

Since I was attending an out of State college, there was no State aid.

In Federal aid, I received the maximum Pell Grant and Stafford Loan which totaled $4,825.

However, Sarah Lawrence's costs totaled $19,785, thus leaving a difference of $14,960.

Based on the Federal formula used to calculate financial need and the college's policy, I was told that my family demonstrated an ability to pay $1,100 based on our financial background.

The remaining $13,860 shortfall forced me to either give up college for a while or prevail upon my 75 year old grandfather.

My grandfather managed to pay for my first year. He continued to work.

He did not want me to take a year off because he was afraid I would never go back to school.

I contributed by working 25 hours a week while maintaining a full course load.

I functioned on 3 to 4 hours a sleep a night and missed out on social and school activities that other students could enjoy, but I had no choice.

I hoped my financial aid would improve for my sophomore year.

However, my financial aid did not improve as drastically as I had hoped, because I did not receive funds from the college in my first year as a freshman, limited funding was provided for my sophomore year.

Again, I received the maximum Pell Grant and Stafford Loan. But once again, there was no other Federal funding available to me because the college has limited campus-based funds which were already committed to other students.

Even with college funding, I was left with over $11,000 of unmet need.

Fortunately for me, my grandfather continued to work and help me meet the difference.

I know I will make it through college. Even though my grandfather only made $2,000 in the last year, because it is my senior year the financial aid department at Sarah Lawrence College has given me the money that is over their budget so I can finish college without additional stress on my grandfather who is now 79.

I am grateful for all Federal aid I have received. It has helped me enormously. It just has not been enough.

If children from my economic background could be taught at an early age how to get into college, how to get aid, and most importantly, to know that there is aid available, minority and lower income families might have a better success rate.

Children such as myself need to be encouraged to feel that State and private universities are within their grasp.

I believe that as things stand now, children, such as myself, are led to believe good schools are only for people with money.

Programs about financing an education including Federal aid and how to get it, as well as how to get into college should be taught during high school.

The most important step, however, is to raise Federal aid so that when students reach college age they are able to attend.

It is a shame that in a high tech world that is being created in front of us, we are missing out on a lot of American youth that will be needed to run it.

For a great many of my generation, the chance is gone. I would like to see our children have that chance.

I am an example of someone who made it. That is why I could speak to you at all. I am a miracle. I was given a chance.

If I had not been given a chance you would have never heard my voice. I find this frightening.

Think of how many voices you are not hearing at this instant.

But maybe my testimony will help others of my background, like you and so many others have helped me.

Thank you.

[The prepared statement of Lucy Thurber follows:]

PREPARED STATEMENT OF LUCY THURBER, STUDENT, SARAH LAWRENCE COLLEGE, BRONXVILLE, NEW YORK

My name is Lucy Thurber. I am 21 years old and am entering my senior year at Sarah Lawrence College in Bronxville, New York. I have been asked to testify about my own experience concerning financial aid.

Sarah Lawrence College is one of the most expensive colleges in the United States. It is a miracle that I attend this school at all, one, because of my low economic means, and two, because of the psychological hindrances growing up poor can inflict on a person. I sometimes wonder where I even got the nerve to apply to Sarah Lawrence, a school so clearly beyond my financial status. I also wonder where I got the self-confidence to think that I was "good enough" in terms of intelligence and social background to attend a school perceived of as a "rich kid's school." In reality, 50 percent of the school's population is on some sort of financial aid. I didn't know this when I applied to Sarah Lawrence. My information about financial aid at the time was limited.

My mother is a single parent and I do not know my father, I do know that he is Hispanic and that I am half Columbian. My mother and I have been very poor. When I was young, my mother used to steal out-of-date food from the back of supermarkets to feed me. I was a welfare child.

At times, my mother and I have been homeless. We have lived in a school bus, and in a house without a roof. We have lived more than one winter without heat, and one winter without running water because our pipes burst and we could not afford to fix them. During this winter, my mother was hitch-hiking 30 miles to work and back each day because there was no work closer to the small town in western Massachusetts where we lived.

A single mother with a female child is also vulnerable and easily taken advantage of. Sometimes, my mother and I were forced to live with drug dealers and small town criminals in order to have enough money to pay the rent. These people were often violent and abusive to both me and my mother.

Fortunately for me, my grandfather wanted me to attend private high school. I took the opportunity. I was a scholarship student all through high school and my grandfather paid the rest of the expenses. It was difficult for me to attend these schools. All of my friends had nicer clothes, spoke better, were given an allowance to do laundry and buy toothpaste and shampoo but I was not. Doing well academically and socially to me was a miracle in itself. I noticed and felt embarrassed that I did not have what my friends had. It was hard to envision myself having more than I already did. It was in high school that my friends started helping me with money. My grandfather paid my bills for school and my mother gave me emotional support, but in terms of practical explanations of how to do practical things, it was my job to find out. I found my own high schools. I called, got the information, applied, and set up the interviews.

In my senior year of high school when I asked the college counselor about financial aid for college, she informed me she "did not have much information in that area." I operated under the assumption that one applied for financial aid after being accepted to a school. I am not trying to blame this one college counselor, in the end it was my responsibility and my family's.

The facts of my life are not a "sob story." They are not meant to cause pity. The same situations and worse ones happen to thousands of children every day. The point, however, is to show how this relates to Sarah Lawrence and higher education as a whole.

The result of not applying for financial aid until after I was accepted meant that the college had by that time run out of it's own financial aid. Therefore, I was left to rely on whatever Federal and state sources were available to me. Since I was attending an out of state college, there was no state aid. In Federal aid, I received the maximum Pell grant and Stafford Loan which totaled $4,825. However Sarah Lawrence's costs totaled $19,785—thus leaving a difference of $14,960. Based on the Federal formula used to calculate financial need and the college's policy, I was told that my family demonstrated an ability to pay $1,100 based on our financial background. The remaining $13,860 shortfall forced me to either give up on college for a while or prevail upon my 75 year old grandfather.

My grandfather managed to pay for my first year. He continued to work. He did not want me to take a year off because he was afraid I would never go back to school. I contributed by working 25 hours a week while maintaining a full course load. I functioned on 3 to 4 hours sleep a night and missed out on social and school activities that other students could enjoy, but I had no choice. I hoped my financial aid would improve for my sophomore year and I could earn enough over the summer that my work load would by lessened.

However, my financial aid did not improve drastically as I had hoped. Because I did not receive funds from the college in my first year as a freshman, limited funding was provided for my sophomore year. Again, I received the maximum Pell Grant and Stafford Loan. But once again, there was no other Federal funding available to me because the college has limited campus-based funds which were already committed to other students. Even with college funding, I was left with over $11,000 of unmet need. Fortunately for me, my grandfather continued to work and help me meet the difference.

I have been lucky in my life, lucky that I have my grandfather. I have done well at Sarah Lawrence because every year could have been my last. But still it is hard to impossible to explain the amount of pride I have had to swallow. I am a minority, not only because my father is Hispanic, but also because there has not been one person I have met since I was sixteen in the private schools I have attended, who knows what it is like to wonder if they will eat the next day. I grew up in a world of extremes, but I live in a different world now. I have more than one pair of shoes and pants. I have a winter coat and gloves. I am old enough to earn my own money, which accounts for a lot of the changes in my life, but mostly it is because of other people's willingness to invest in me. I am an exception. I know I will make it through college, even though my grandfather only made $2,000 in the last year. Because it is my senior year, the Financial Aid Department at Sarah Lawrence has awarded me money that is over their budget so I can finish college without additional stress on my grandfather who is now 79. I am grateful for all Federal aid I have received. It has helped me enormously—it just has not been enough.

I am, as I have said before, lucky. I was given an opportunity. That was all I needed. I believe if Federal aid were raised, more opportunities could be given to tap other young minds that just need a chance. It would make a difference if there was a way for more low-income children to get through college. It would make a difference if money were put into educating young adults like myself, whose entire education rests on their shoulders. Even though I was given a chance to attend college, all the research involved in attending was left to me, and there was never enough information available. If children from my economic background could be taught, at an early age, how to get into college, how to get aid, and most importantly, to know that there is aid available, minorities and lower income families might have a better success rate. Education for children and their families needs to start in primary school. Children, such as myself, need to be encouraged to feel that state and private universities are within their grasp. I believe that as things stand now, children, such as myself, are led to believe good schools are only for people with money. Programs about financing an education including Federal aid and how to get it, as well as, how to get into college should be taught during high school. The most important step, however, is to raise Federal aid and provide enough so that when students reach college age they are able to attend. It is a shame that the high tech world that is being created in front of us will be missing out on a lot of American youth that will be needed to run it. For a great many of my generation, the chance is gone. I would like to see their children have a chance.

I am an example of someone who has made it, that is why I can speak to you at all. I am a miracle. I was given a chance. If I had not been given a chance you would have never heard my voice. I find this frightening. Think of how many voices you are not hearing at this instant.

I want to thank you very much for the opportunity to speak to you. I consider it a great honor. It has given me a chance I have day-dreamed about. I do not need your help any longer. But maybe my testimony will help others of my background, the way in which you and so many others have helped me. Thank you.

Mrs. Lowey. Lucy, I want to thank you for having the courage to come forward and share your story with us.

As you said, you will graduate, and you will not benefit from the current reauthorization.

But because of your courage, perhaps other students will not have to struggle as hard as you have.

Ms. Molinari?

Ms. Molinari. I have no questions. I just want to congratulate both panels.

Certainly, Ms. Collazo, your story is heartbreaking and it points to a major flaw that we are attempting to correct through this legislation.

But you have brought very close to home why we need to act efficiently on this and I thank you very much for sharing your story with us.

Ms. Thurber, I could only add that I went to a private college preparatory that did not prepare me either for financial aid.

It screwed up more children so that it's endemic I think to the high schools, that we need to get out the information what is available to all of us.

I thank you for sharing your testimony and your spirit with us and congratulations to both of you.

Mrs. Lowey. Mr. Serrano?

Mr. Serrano. Thank you.

Ms. Collazo, I want to also thank you for coming before us today and for giving us on the record the kind of information that some of us are always suspicious of or semi-aware of, that it will give an opportunity to really be able to work on, with your kind of testimony.

I just want to ask you a question.

You were recruited on the street?

Ms. Collazo. Yes, I was.

Mr. Serrano. You said you were recruited on the street.

Was it what some people call a hard sell or a soft sell?

I mean, were you ready to go anywhere, and therefore it was easy to get you to come see them? Or did they really follow you around and try to sell you something?

Ms. Collazo. At the time I wasn't ready, I was still in high school. I wasn't thinking about going to any other school.

I was thinking about going to college after graduating, but when the guy came up to me and started saying how good the program was and how it would help me, so as soon as I got out of high school I would be able to have a good job, I decided to take a crack at it.

But I wasn't forced in any way. But the way he spoke gave me the idea to go into the school.

Mr. **Serrano**. At the time that he was speaking to you that way on the street, in that period of your life, was there someone in high school speaking to you the same way, perhaps about going to college or finding another way?

Ms. **Collazo**. My computer teacher was always talking to me about how I could get into college.

I was always telling her that I only lived with my mother, and my mother was working hard and it was hard for me to go to college.

So what other way could I go to have a good career? She told me about trade school. I decided on it after the guy talked to me.

Mr. **Serrano**. So in high school they had mentioned trade school to you?

Ms. **Collazo**. She had spoken a little bit about it and I decided when the guy spoke to me on the street, I decided to take a crack at it.

Mr. **Serrano**. And you felt that the trade school they could have been speaking about could be—not necessarily that particular school—but that type of a school?

Ms. **Collazo**. Right.

Mr. **Serrano**. Okay, thank you.

Strange question for some people, since you either suspect or you knew that as you state, "half-Hispanic," were you able to apply to any institution that dealt with Hispanic children?

Ms. **Thurber**. First of all, I asked my college counselor about that. She said she didn't know anything about it. Since I don't know my father, I'm not in contact with him and he hasn't been around since I've been a baby.

I have sort of a strange feeling about professing it. That in itself, I have asked about that since then, it is bad in itself because I have experienced there being hardly any information about that out there.

Mr. **Serrano**. Let me just say to you what I know every panelist would say to you.

First of all, thank you for having the courage to tell your story openly in public.

Secondly, just to tell you that statements like yours give us the strength to build on our commitment to try and make sure these kinds of things don't happen.

I represent the South Bronx and we know that there are stories like yours, unfortunately, that are heard much too often.

Your commitment though, and your desire to succeed is one that makes you a role model, and we don't say this, I am certainly not saying this to make you feel any better. But you should feel good about the fact that I consider you a role model.

If your story gets out more and more, people will learn how to deal, perhaps a little bit better.

Ms. **Thurber**. I think that's why I did this, because as you said, I will not benefit from any new Federal aid that comes into being.

I think, for myself, most of the people I grew up with have not had an education.

The college education that they have had, if any of them did make it out of high school at all, has been very limited, because they don't feel that they have any worth in this society.

I'm very honored that I was asked here, because I have begun to feel that I have had—because people have invested in me.

It's important, I mean, the responsibility, because I could take responsibility and you're taking responsibility.

I really believe that's where it starts and that's the most important thing and I thank you for asking me.

Mrs. **Lowey**. I just want to tell you that there is no question, Ms. Thurber, that you will be a success no matter what you do.

Anyone with your courage and your determination will succeed and I hope you will continue to be in touch with our panel.

Major Owens?

Mr. **Owens**. I would just like to echo that. Your courage and your determination are very special, but you are right when you say that your voice can be heard here.

But there are thousands of voices of talented youngsters out there who probably didn't have the courage to stick to it that you had and the luck of you having the grandfather who would go to bat for you, or myself who lucked upon a full foundation scholarship, who had given up on ever going to college.

My generation, I could think of quite a number of young people who were brighter than I am, that were not able to make it for income reasons.

So the plea of Mr. Serrano earlier or his statement that we should not give up the dream of providing an education opportunity to all of those who have what it takes to go, is still very pertinent and appropriate here.

I have one question for Ms. Collazo.

Did you pay some part of your fee for ABI? Did you have to raise part of it yourself? In other words, did all of it come—the total tuition and total fee was paid by grants from government?

Ms. **Collazo**. When they spoke to me, supposedly all that was coming from financial aid and Pell.

They didn't say anything about a loan, and I didn't put any money into this. Now, I have to pay for the whole thing.

Mr. **Owens**. You didn't have to pay any of it?

Ms. **Collazo**. No.

Mr. **Owens**. So the alternative of going to a college or city university, you would have had to pay something?

How did you cross off that alternative from your mind?

Ms. **Collazo**. Supposedly, financial aid was going to pay for everything. They never spoke to me about a loan. So I figured, I wasn't all that bright, so I figured going to a trade school, they would help me better, I could learn sooner on the computer, since I was taking it in high school. I guess I was tricked into something.

Mr. **Owens**. You never considered going to community college?

Ms. **Collazo**. I wanted to but I couldn't afford it.

Mr. **Owens**. Your counselor did not give you that as an alternative?

Ms. **Collazo**. We spoke about it, but I wasn't so sure at the time.

Mr. **Owens**. You weren't sure because you didn't think you were bright enough or you didn't think you could afford it?

Ms. **Collazo**. I didn't think I could afford it.

Mr. **Owens**. Affording it meant—tuition at that time was how much?

Ms. **Collazo**. I have no idea.

Mr. **Owens**. Thank you.

Ms. **Stevens**. Madam Chairwoman?

Mrs. **Lowey**. I have a few questions, so I will let you—do you want to comment now?

Ms. **Stevens**. Well, I have an additional answer to Mr. Owens question, if I might.

Mrs. **Lowey**. That's fine, but before we take your additional answer, I just want to clarify for the audience that this happened in high school.

A student is not eligible to receive student aid while they are in high school. So it was even wrong for the school to offer you any financial aid while you were still in high school.

I just wanted to clarify that for the audience.

Yes, Ms. Stevens?

Ms. **Stevens**. I don't mean to interrupt.

My name is Jane Stevens, and I know I'm not on the program.

I am the Deputy Director of South Brooklyn Legal Services and I'm here as kind of a backup answer for questions you might have for Ms. Collazo, because she's a representative of thousands of students who come to our office on a regular basis, who are students of proprietary trade schools.

So we have a lot of experience with people who are in exactly this situation, and for that reason we support New York City's proposal which I hope you will view as a very important part of the package that you're considering now, to protect the proprietary trade school students.

One of the most important things I think about that package is to define proprietary trade schools separately from the definition of community colleges and all other colleges so that they could be regulated separately.

Because the kind of problem that is being described here, is the problem which is endemic in these proprietary trade schools, in which creates a very high default rate, and which creates a whole set of problems which we think could be answered in this city's proposal.

These are not problems in the community colleges. The kind of issue you are discussing with Ms. Collazo is very typical.

It's an issue which is being called origination, where the school talks to Ms. Collazo about something that they call "financial aid."

She understands that quite properly as "grants," and she isn't going to have to pay any cash, because it's all going to come out of grants.

But the pieces of paper that they hand her to sign are applications for loans. So the true facts of the situation she is getting herself into are never presented to her.

One of the proposals in this bill is that in that origination situation her defenses against the school become defenses also against the lenders.

Those are the kinds of things that we think are very important to be defined and regulated differently for these schools.

I don't want to take up more time than I'm entitled to, but if you have other questions about this, I'm here so that I could answer a more broad spectrum of questions than Ms. Collazo can from her individual experience.

Mrs. Lowey. Thank you.

Mr. Owens. Thank you for that clarification.

I thought it was your last year of high school and you made a transition into this, but you were doing it while you were in school.

Ms. Collazo. I was still in high school.

Mr. Owens. I didn't quite understand that, thank you.

No further questions.

Mrs. Lowey. Ms. Collazo, at what point did you learn that you shouldn't have even been offered the aid because you were in high school?

When you were first were approached and made the decision to accept the aid, did you discuss it with your computer teacher in high school? Did you discuss it with anyone in high school?

Ms. Collazo. No.

Mrs. Lowey. So no one offered you any guidance or assistance in high school?

Ms. Collazo. Not at all. I didn't speak to anyone about it.

Mrs. Lowey. When did you first learn you that you shouldn't have been offered that loan?

Ms. Collazo. In high school, I had my computer teacher. The last year of high school I didn't have her. I had her the year before.

When I went into ABI, I was passing by one of the computer classes, going to my English class, I've seen the teacher that was giving the computer classes, and she happened to be my computer teacher at high school.

So the next day she approached me in school, and she asked me what I was doing at ABI. I told her that I was trying to get a career for myself.

She told me, "Elsie, you're not supposed to be there, because you're still in high school. I don't understand how they took you there."

I just told her, "I don't know, but they did."

Mrs. Lowey. But did you continue going to the classes?

Ms. Collazo. I continued to go until——

Mrs. Lowey. She continued to teach you?

Ms. Collazo. She wasn't my teacher at that time.

Mrs. Lowey. You just saw her there.

Ms. Collazo. She was just in the school teaching other kids that were more advanced than I was.

I had to quit because I was still in high school and because midterms were coming up and they were very important to me since I was graduating. So I had to drop out of school because my grades were going down.

Mrs. Lowey. What happened when you went into the computer room and there weren't any computers? I mean, you went to the school to learn word-processing.

I understand from your testimony that there weren't any computers.

Ms. Collazo. The class that I was assigned to was just to teach you the basics. They weren't teaching you anything about the computer at the time.

They just had a book where we would ask questions. We never saw the computer.

Mrs. LOWEY. So you went there to learn computers and you never saw the computer?

Ms. COLLAZO. Exactly.

Mrs. LOWEY. The teacher from your public school knew you were there, even though she wasn't your teacher, she never went to you after that first encounter, and said, "Elsie, let's work together and see how we can get you out of this school, because you don't belong in that school and let's see what we could do about this."

Ms. COLLAZO. She never said anything like that. She was surprised to see me there, because she said I wasn't supposed to be there. But she didn't say anything else about it.

Mrs. LOWEY. Well, I think we should make it clear, that one of the things we have to look at in the regulations is that now you can't get an education because you defaulted on these loans, you're no longer eligible for student aid; is that correct?

Ms. COLLAZO. Yes.

Mrs. LOWEY. Now, I just wonder, Ms. Stevens, just to elaborate on your comment before, I wonder if you could share with us, how many complaints do you get a day, a week, a month, a year? How often does this occur?

Ms. STEVENS. It occurs constantly. We are one legal service office in the city, but because we have been doing work in this area, we get calls on a daily basis from students who are in schools that either have closed while they're enrolled or that are still opened and are continuing to entice them, students who are—because they are still in high school or haven't finished high school are not able to benefit.

It's typical that the school pays no attention to whether the student is able to benefit. There are thousands and thousands of these students every day being defrauded by these trade schools.

Another issue in the this New York City's proposal which we hope we could find a sponsor for as part of the Higher Education Act reauthorization, that is relevant to Ms. Collazo's experience has to do with prorated refunds.

Because another one of the many really bad practices of these schools in their enrollment contracts is that because of the way the refunds are structured, once this student is in a school like this, even if she shouldn't have been there, if she drops out, she's not going to get a very significant refund.

If I could respond to something Major Owens asked, that you kind of hinted at, it is true that most of these trade schools do not require students to pay cash up front when they enroll.

You were asking about that question. That is true. But what happens to students is that they become really, without their awareness, liable for huge indebtedness which not only follows them afterwards, and makes it impossible for them to get other jobs and impossible for them to maintain a credit rating, but it makes it as the Chairwoman said, impossible for them to become eligible for any other financial aid, to go to any legitimate college or community college.

So as soon as they've made one mistake in response to this kind of hard sell, their educational opportunities are radically reduced across the board.

Those are the kinds of problems created just by this very particular segment or proprietary trade schools that we very much hope that the committee will address to separate out that piece of the problem from the other kinds of problems that Ms. Thurber and other people are presenting to you.

Mrs. **Lowey**. Do you believe that this activity is increasing or decreasing and perhaps could you suggest some remedies?

One other question I would like to ask you: Is ABI still open?

Ms. **Stevens**. I believe it is.

Ms. **Collazo**. It's in bankruptcy right now.

Mrs. **Lowey**. Let me say, I believe there is a representative from the Department of Education here, and I think this should be investigated immediately.

But to go back to the other question, do you think this is increasing, decreasing?

Ms. **Stevens**. Certainly not decreasing, because we are getting complaints from a wide variety of schools.

The process of the schools declaring bankruptcy as soon as we try to do something about it is a very common and widespread practice.

Complaints are finally made against a school. Lawsuits are filed. The school immediately goes into bankruptcy and unfortunately what then happens is that the proprietors turn around and open a new school with a new name, because the regulation isn't adequate to stop them from doing that.

So there are people even who have created crimes in the area of defrauding students who turn around and reopen new schools.

I think it's a problem that's increasing. I think it can't be stopped because it's so profitable, until there is much more serious regulations of these kinds of proprietary schools.

Mrs. **Lowey**. Ms. Molinari?

Ms. **Molinari**. Just as to a follow-up to that, thank you, Ms. Chairwoman, I was not aware of Ms. Stevens' role on the panel when I initiated by questions.

What do we do as the Federal Government, from a larger picture aside from the devastation to the future of a Ms. Collazo, we're also spending taxpayer money to no good end.

How do we resolve that? I mean, I happen to believe that I'm sure most of us do, that trade schools serve a very important purpose in this society.

How do we make sure that we can distinguish aside from moving them off-line which you have already suggested from the community colleges, how do we make sure as a Federal entity that we are, in fact, investing or allowing young people to invest in schools that are legitimate versus an ABI?

Ms. **Stevens**. Well, it's certainly an important question and something that we've paid attention to.

We don't want to limit people's access to any kind of education if it could be good.

The New York City proposal contains not only suggestions for the direct relief of students but also proposals to keep bad schools out of the system.

That's going to be an important protection. Not only for students but also for the whole Federal financial contribution to this area.

Two of the examples of the kinds of things that you can do to protect the Federal money as well as the students, is to require the proprietary trade schools to submit on an annual basis certified records of placement and completion.

That is not now being required. Our suggestion is that unless a school meets, for example, a 60 percent minimum of completion and placement that it should simply not be qualified to participate in the Title IV program.

Another thing that is suggested in the city's proposal, is that a school has to show, for example, a 1.25 to 1 proportion of assets to liabilities so that you know that the school is funded adequately to be able to provide refunds when it closes.

We think it's very important that bad schools be kept out of the system to protect the students and to protect the Federal Government's continuing ability to make a contribution for the good schools.

So students still have that option where it is appropriate. But there are ways to do that.

Ms. MOLINARI. And that's all part of this New York City's proposal——

Ms. STEVENS. It's all part of this proposal which was presented to the subcommittee by Betsy Emholtz from my office, several weeks ago.

It's in the committee print. If you do not have access to it already, we could provide other copies of it.

Ms. MOLINARI. As long as it is part of the Federal record.

Ms. STEVENS. It's in the committee print.

Ms. MOLINARI. Thank you.

Ms. THURBER. May I say something?

I also would like to add, from a student's point of view, I think that the most important thing is to provide education within the schools educating the students on how to apply for these things and to know.

Because, I wasn't educated, as you said, you weren't educated obviously, you clearly weren't educated either.

I mean, trade schools, higher education in general, there's nothing out there. There's nothing out there to tell me about scholarships or exactly what Federal aid is.

I didn't know, in terms of the FAF itself, eight pages of information that is very hard to calculate, and to be honest I can't even tell where I'm supposed to start filling out the form.

All of this is important. But the basic level is students, and students, as I am, are going to have to take responsibility, I mean, that's just part of the way it works.

If it could start—in terms of lower income and minority groups in grade school, in high school, if you're told these things, then your mind set can change.

Because I know I spent a lot of time not feeling I was worthwhile, I wasn't good enough and that also, I think, in addition to what you're saying on the other end of the spectrum.

Mrs. **Lowey**. Which is exactly what the "I Have a Dream Program" is supposed to do.

Give the youngsters a dream and give them the tools to work for that dream.

I would also appreciate, Ms. Stevens, if you would review H.R. 2716, a bill which is before the committee. It happens to be legislation which I introduced with Mr. Goodling which sets up an oversight committee at the State level.

I would be very appreciative if you could review that and give us your comments.

Ms. **Stevens**. We would be happy to do that.

I would like to say primarily that I hate to say, to sound a note contrary to your previous panel and to sound a negative note, but our experience in New York State has not been very positive with oversight at the State level.

It's something you have to be aware of. I mean, there was good talk about that this morning.

But it has not been our experience, it's our understanding that currently in New York State not enough is being done to supervise these proprietary schools and that something has to come on the Federal level.

Mrs. **Lowey**. Well, I certainly would appreciate having some written comments to that.

Ms. **Stevens**. We will certainly do that.

Mrs. **Lowey**. Ms. Thurber, I would just like to ask you a few questions.

Once again, I appreciate your courage in coming forth and sharing your story with us.

One of your points, and in fact, you are a perfect example of a point that is very contrary to what Lamar Alexander shared with us in our committee, and I have great respect for Lamar Alexander and I look forward to working with him to approving every level of education.

But in his testimony, he said that students from modest backgrounds should be willing to go to a community college for 2 years and then transfer to a public college if they don't have the funds needed to attend a private school.

Now, would you have been content to do that and if you could talk to Lamar Alexander the Secretary of Education, what would you say to him?

Ms. **Thurber**. I would say absolutely not, I would not have been content to do that, because there are certain—I want to be an actress and a writer, and in terms of State schools and community college there is not—I mean, I won't learn what I need to learn, I won't make the connections I need to make.

Also, in terms of opening up education, the kind of education I wanted, was at Sarah Lawrence. Now, I think there are great State schools.

I think, as you said, all forms of education should be open in this country. I mean, honestly, there are certain things—a school like Sarah Lawrence is almost, I mean, it's almost out of my grasp.

I mean, I have been very lucky and I've had people invest in me besides just my grandfather, in terms, my friend's parents have.

So I've been lucky. I think, that for instance, if I could just give an example, one of my best friends growing up, a girl named Jodi, her main love in life is to be a sculptor, and she is really quite remarkable.

She's been to the public school that I went to before I went to private high school which has the second highest pregnancy rate, teen pregnancy rate in the country.

Her main love is to be a sculptor. She is very intelligent and she's going to a State school to be a marine biologist, which, of course, there's nothing wrong with that.

But her main love and her main passion is sculpture. Now, not that State schools don't provide sculpture but a school like Sarah Lawrence will specialize in that.

She does not feel, first economically and also just in terms of worthwise, that she would ever be accepted, that no one of the "rich kids," which of course, they're not would even think twice of looking at her.

My point being that, what are many of the great peoples of founders of this country were?

They were artists, they were philosophers, they were writers, they were people that went out there and stood out on a limb and took extreme challenges and risks in terms of thinking.

That should be open. Not that State schools does not do that, I'm not saying that by any means, but that's what Sarah Lawrence is, that's what that school is meant for.

Now, if I went to a State school, I wouldn't have had that. I think someone from my economic background should have as much right to choose a proper school.

In public education there are much more requirements from the State. I don't want to stand in line for 24 hours to pick my classes and not get what I want.

I just didn't want to do that.

Ms. **Molinari**. Neither did I.

Ms. **Thurber**. I mean, who does?

Sarah Lawrence gives me an option. Private schools give options and those should be open.

Mrs. **Lowey**. I thank you very much for your testimony and I look forward to the day when each of our schools could provide options for all of our youngsters.

In fact, when you think 85 percent of our work force will be women and minorities, if we're going to be competitive, we better sure that all of our schools provide all the opportunity to each of our youngsters so that we can move forward.

Unless my colleagues have any additional questions, we thank you very much for your courage and for your determination and we wish you good luck.

We can assure you that future generations will benefit from your testimony here today, and we thank you.

Mrs. **Lowey**. Dr. Santiago, Dr. Jackson, Dr. Hope.

Welcome.

Dr. Santiago is the president of E.M. de Hostos Community College in the Bronx, welcome.

STATEMENT OF DR. ISAURA SANTIAGO, PRESIDENT, E.M. DE HOSTOS COMMUNITY COLLEGE, BRONX, NEW YORK

Dr. SANTIAGO. Good morning.

Thank you for having me speak to you this morning. Of course, I salute my congressman. The Eugenio Maria De Hostos would not be the college it is today for if not for his founding role.

Major Owens who has played a role in the city in defending the college on many occasions, we're grateful to see, as well as Congresswoman Molinari.

I come before you this morning, as you hear Ms. Collazo story, the sense of urgency about the importance of the task before us.

The reauthorization of the Higher Education Act is one of the most important pieces of legislation to come before Congress this year.

The reasons may be obvious to some and not so obvious to others.

The act's form, content, and policy implications will have a major impact on how the Nation prepares for the 21st century.

For me, as I live day to day in the South Bronx, it will have a major impact on the lives of hundreds of thousands of minority group members and women in this country.

If we are to meet the myriad of challenges facing this Nation—improved competitiveness in the marketplace, a more highly skilled and productive work force, better academically prepared students, and consequently, more scientists and engineers, an improved standard of living for all of us, then the task before us, this reauthorization is clearly an immense one but an urgent one.

But it is also an opportunity. It's an opportunity to invest in the Nation's capital and be the Nation's future.

In New York State as in the rest of the Nation, there is ample evidence which suggests that our ability to compete effectively in the marketplace is in jeopardy.

The report of the Policy Steering Committee of the Governor's Conference on Science and Education, which I was a member, cogently points out that without improved mastery of science, mathematics and technology in our workforce, our standard of living for all will decline.

The National Center of Education and the Economy released a report "America's Choice" which found that while 70 percent of current jobs do not require higher education, clearly 50 percent of all jobs available by the year 2000 will require some training in postsecondary education.

Similarly the Bureau of Labor Statistics, in its "Monthly Labor Review" reports that minorities are entering the workforce at higher rates than in the past.

By the year 2000 non-white participation in the workforce will reach 25.2 percent, up from 20 percent in 1988.

Juxtaposed against these trends is evidence that poor and minority students are dropping out of school in record numbers and more importantly that their retention, access, and graduation rates in higher education are declining.

A recent report from the American Council on Education found that despite the relatively high percentages of Hispanics in the school age population, they are less likely than non-Hispanics to pursue postsecondary education.

The condition for African-Americans has only marginally improved. In the interest of all then, these trends must be reversed.

I come before you today as a president of a college in the poorest congressional district in this country.

I also come before you as a Puerto Rican, born and raised in New York and a product of the New York City Board of Education and the City University of New York.

Today I serve as vice president of the Hispanic Association of Colleges and Universities. As a member of the board of trustees of the Puerto Rican legal defense of and education funds.

All my three hats today I share with you. There is a crisis, there is an urgency. In fact, the Higher Education Act's original intent has waved far off course.

A first major step in the revision of the Higher Education Act will bring us closer to our goals as a society.

Financial aid resources must be targeted more directly to groups most in need. Indeed this was the finding of another study by the American Council on Education.

The report showed that the minorities have been forced to rely more and more on loans over the years after the original Act was passed.

A smaller and smaller percentage of the cost of higher education for minorities today is represented by grants.

The neediest in our society then have at worst been discouraged from attending higher education at all because of the size of the loans involved.

At best, they have been forced into debt that often locks them out of advanced study.

The case you saw before us today, Ms. Collazo's case, is one of thousands.

You need only to stand on the grand concourse, it won't be someone in a high school, it will be someone from a proprietary school, in a van, in a bus, who will often target minorities. Who often target Spanish speakers, in fact.

My staff have seen people on the grand concourse show non-English speakers a form, a financial aid form that must be signed for these loans.

Guess what? Students don't have questions. At the bottom of the form it says, "United States Department of Education." It has the "Good Housekeeping Seal of Approval."

Even if the student is non-English speaking, students assume that the government is involved, that there is protection involved here, in terms of their rights and about the equity of it.

I make that statement only as Ms. Collazo spoke and as you raised questions about the extent of this, on the part of some institutions and again, a large majority of the proprietary schools across this country offer an incredible and a very important service in the preparation of the work force.

There are regrettably too many institutions that are opened up overnight. These inadequate programs, and I will go as far as saying that, with respect to Hispanics and blacks, are targeted by individuals who want to use the Higher Education Act to defraud the public.

We see this largely in communities, where our people are more easily defrauded. They've lost confidence in the public education system or know very little about them, or as in the case of limiting the speakers, they just simply defraud it.

To return to my statement, allow me to say that it is imperative that the Higher Education Act ensure minority access to higher education, focus its resources to meet special population needs but especially in areas that will strengthen access to the work force. Make the revisions in the application and review process.

The specific recommendation that I share with you today, in my view, requests that the subcommittee return to the original intent of the Act and more directly provide Pell Grant and other support which will truly increase access to higher education.

With regard to some specific recommendations, for instance, with regards to the needs analysis, the voluminous number of forms that students must fill out act as a disinscentive.

Furthermore, they increase the paperwork and the resources needed by institutions of higher education to address student's needs.

There should be one form, coordinated for Federal and State use for this purpose, so that students and their parents better understand.

Further, the financial aid process should be redesigned to allow students whose families are already receiving Federal assistance to be automatically qualified.

Students who are dependent children, students who are receiving SSI should automatically be eligible.

These are the students with the greatest need in our society and are also the population in our country which we want to turn into, for our own interest, the work force as soon as possible.

Pell Grant should be increased. The Hispanic Association met last year in preparation for recommendation for Pell Grant.

We had recommended that it be increased to $3,700. I come to you today requesting that a more realistic figure would be $4,500.

I don't have to tell those of you from New York that only in 1 year we have seen almost a $1,000 increase in tuition, even in the most least expensive public sector settings.

Once again, Pell Grant should be an entitlement. Particularly, for some sub-populations of our country's population.

Furthermore, they should be indexed to keep pace with the rising cost of education.

We've had statements made here about the extent of the number of semesters for which students are eligible.

There is no question that at some institutions in this country there was a view that students could complete higher education in 4 years, in 8 semesters, etc.

I heard former Chancellor Healy's statement. If you look at the population of the City University of New York and, in fact, if you look at our urban public colleges across this country, there has been a significant change.

The demographics of this country has changed significantly in the last 20 years. The population in our colleges are very different populations.

There are populations at Hostos Community College who come with limited English proficiency.

Adult development of the English language proficiency is not possible within 1 semester or 3 months or 6 months.

They are highly complex both sensory, motor, language and other functions that, of course, will extend the number of semesters necessary for an adult to acquire a skill, both in a new language and in a program or subject area.

We request in order to improve the number of years within which a student completes the education that the number of semesters for which Pell Grants are available to students requiring, of course, an academic plan be permitted.

And that some of the Pell Grants be an essential part of the continuity process for effective completion for populations for students we serve.

Campus based programs should be increased and the expansion of the authority of the institutions in question to transfer funds from one program to the other, is really essential.

For instance, I don't have to share with you how important the college work study programs are in economic areas like the South Bronx where employment opportunities are so limited.

Why do college work studies play such an important role?

Student loan defaults. Here again, at Hostos Community College, 60 percent of our students receive aid to dependent children.

This is an unheard of figure at any other institution.

Loan default rates are often a consequence of the conditions of those students lives, conditions under which they must take financial aid and the fact that they have no control over their financial resources, if in fact, they are on AFDC or SSI.

So that again, these special provisions for these special groups of students including those with dependent children are revisions in law proposed by Senator Kennedy that we would recommend very highly.

Loan forgiveness in key areas.

Mrs. LOWEY. I just want to remind you that your entire statement will be included in the record, so if you could conclude as soon as possible.

Dr. SANTIAGO. Great, I'll just give a summary statement.

Mrs. LOWEY. Thank you so much.

Dr. SANTIAGO. Allow me to say that the recommendations I bring before you today are essential if we are going to make a difference in the lives of students.

As I mentioned at Hostos Community College today, we serve over 5,000 students in the South Bronx.

We do it effectively. We return students to the work force. One of the pieces of information that's not in my statement is that there is an economic return to the city.

For instance, we just had 500 students graduate at Hostos Community College. Of those, above a national graduation rate for community colleges, amongst those students 60 percent were on aid to dependent children.

In 1 year alone, my graduating class will return to the city well over $4 million. In 3 years, they will return to the city the cost of their entire education of the entire budget of the college.

The millions of dollars that they then will return to the economy through their employment will also improve the city.

There is no area in the city's life that's in more critical need right now than health care. People feel giving access to minorities, that we can't offer access and excellence.

Let me share with you today, today Hostos Community College has the best Radiologic Technology in the northeast.

One hudred percent of our students, every one of them a minority student passed the national exam in Radiologic Technology.

Today we have nursing programs. Our students graduate with R.N. Degrees. Today, Hostos Community College, every one a minority student had a passed grade of 86 percent.

In Dental Hygiene, Hostos Community College is one of the few, one of two in the city university system and the only one leading to national accreditation.

Ninety-six percent, every one a minority student, of our students passed the national exams. I could go on, but——

Access to higher education requires that we also offer excellence and education. To be able to do that, the kinds of resources that the Higher Education Act must target to institutions and urban settings doing very special jobs like Hostos, must be targeted for special needs.

Thank you.

[The prepared statement of Dr. Isaura Santiago follows:]

PREPARED STATEMENT OF DR. ISAURA SANTIAGO, PRESIDENT, EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE, CITY UNIVERSITY OF NEW YORK

Mr. Chairman and members of the subcommittee good morning. I am Isaura Santiago, President of Eugenio Maria de Hostos Community College of the City University of New York. Thank you for giving me this opportunity to come before you to address the subcommittee's hearing on reauthorization of the Higher Education Act of 1965.

The reauthorization of the Higher Education Act is one of the most important pieces of legislation to come before Congress this year. The reasons are obvious. The act's form, content, and policy implications will have a major impact on how the Nation prepares for the 21st century. If we are to meet the myriad challenges facing this nation—improved competitiveness in the marketplace, a more highly skilled and productive workforce, better academically prepared students, more scientists and engineers, an improved standard of living—then we must look at this reauthorization for what it must do. It is an opportunity to invest in the Nation's human capital, indeed, the Nation's future. Therefore we must follow through with this legislation and provide the necessary resources to meet our national goals.

In New York State, as in the rest of the Nation, there is ample evidence which suggests that our ability to compete effectively in the marketplace is in jeopardy. The report of the Policy Steering Committee of the Governor's Conference on Science and Engineering Education, Research and Development (*Toward a Prosperous Future*, 1990), cogently points out that without improved mastery of science, mathematics and technology by our future workforce, our standard of living will decline. The National Center on Education and the Economy released a report (*America's Choice*, 1990) which found that while 70 percent of current jobs do not require higher education, clearly 50 percent of all jobs available in the year 2000 will require some exposure to postsecondary education. The Bureau of Labor Statistics, (*Monthly Labor Review*, 1989) reports that minorities are entering the workforce at higher rates than in the past, and by the year 2000 non-white participation in the workforce will reach 25.2 percent, up from 20.7 percent in 1988.

Juxtaposed against these trends is evidence that poor and minority students are dropping out of school in record numbers and their participation in postsecondary education is declining. A recent report from the American Council on Education (*The Ninth Annual Status Report on Minorities in Higher Education*, 1992) found that despite the relatively high percentages of Hispanics in the school age population, they are less likely than non-Hispanics to pursue postsecondary education. The condition for African-Americans has only marginally improved. These trends must be reversed. It is in all our interest.

A first major step is the revision of the Higher Education Act. Financial aid resources must be targeted more directly to meet the needs of these groups. Indeed, this was the finding of a recent analysis by the American Council on Education on minority participation at postsecondary schools (*The Eighth Annual Report on Minorities in Higher Education*, 1990). The report shows that minorities have been forced to rely more on loans. As the cost of higher education has skyrocketed, a smaller and smaller percentage of the cost of higher education is represented by grants, forcing the neediest in our society to go deeper in debt. These data suggest that we need to move more quickly and assertively to address these ills.

It is imperative that the Higher Education Act (a) ensure minority access to higher education, (b) focus its resources in areas of special need, but especially in areas which will strengthen the workforce, and (c) make major revisions to the financial aid process. My recommendations, then, are shaped by the spirit of the original law (Higher Education Act of 1965)—to ensure that low income and minority students attain postsecondary education, and that the education they receive is one of excellence that also prepares them technologically for the next century:

NEED ANALYSIS: Simplify the financial aid eligibility process. The current form is far too complex and in many cases serves to discourage low income students, minority students, and students who are first generation college attenders. There should be one form for all Federal and state inquiries. Further, the financial aid process should be redesigned to allow students whose families are already receiving Federal assistance to be automatically qualified, e.g., AFDC, SSI.

PELL GRANTS: Increase the maximum Pell award from $2,400 to $3,700, but maintain the programs current target group of low and moderate income families. Emphasis must be placed at the level of greatest need. Increase Pell Grants not loans. Pell grants should be an entitlement, and its ceiling should be indexed to keep pace with the rising cost of education.

SUMMER PELL GRANTS: supplemental Pell grants should be established to encourage and to maintain academic progress during summer sessions.

CAMPUS BASED PROGRAMS (SEOG, CWS, and Perkins Loans): There should be an increase in and an expansion of the authority institutions have to transfer funds among the programs.

STUDENT LOAN DEFAULTS: Students receiving AFDC or SSI should not be included in the default rate. As this cohort is unemployed/underemployed, they cannot possibly meet the payment schedule. Moreover, revising the current policy to exclude this group would lessen the punitive impact of new loan default requirements on both students and colleges. This is not to suggest that higher education institutions not be held accountable. On the contrary they must be held accountable. However, there must be consideration for institutions serving large numbers of high risk students.

LOAN FORGIVENESS FOR CRITICALLY NEEDED FIELDS: In addition to students on AFDC, SSI and other entitlement programs, a mechanism for loan forgiveness should be established for students who enter professions where there are manpower shortages, e.g. nursing, education, science and technology. This proposal can be expanded to incorporate student participation in national service programs.

TRIO: Funding for TRIO programs should be increased to enable greater participation of at risk students in these successful programs. Authorization under these programs should be increased for student support services that would increase their overall effectiveness, e.g., campus based child care, bilingual education, and college skills programs.

Incorporating these changes into the Higher Education Act will (a) improve the life long opportunities of poor and minority students, and (b) strengthen the Nation's ability to compete by enhancing the productive capacities of our human capital. There is another very important aspect which needs mentioning. By enhancing the productive skills of the poor and minorities, they can return the investment by producing needed services and paying taxes. My college offers an excellent example of how institutions of higher education, and community colleges in particular, meet these challenges.

Hostos Community College is in the poorest congressional district in the country. The student body of Hostos Community college—approximately 4,500 students—is minority in composition: 82.3 percent Hispanic, 13.3 percent African-American, 1.8

percent white, and 1.2 percent Asian. Moreover, females make up 75 percent of the student population. More revealing is the economic profile of our students: Currently 81.6 percent of Hostos students have incomes below $8,000. When the income level is increased to $12,000, 91.2 percent fall into this level. Over 60 percent of our students receive AFDC, SSI, or EI. Approximately, 94 percent of our students receive some form of financial assistance.

While 42 percent of our students come to college with GEDS and most others have attended inner city high schools that have ill-prepared them for college, Hostos Community College holds a high standard of academic excellence. We have a distinguished record of successfully serving poor and minority students. The success rates of students in our allied health programs are illustrative. The professional licensure passing rates for our students range from 80 percent to 100 percent: Radiologic Technology—100 percent, Dental Hygiene—96 percent, and Nursing—80 percent. Consequently, they are able to enter the workforce and earn salaries in the $35,000 to $36,000 range. What's more, the return, in terms of taxes and services to their communities is substantial and recurring.

In 1991, Hostos Community College graduated 447 students. Inasmuch as 60 percent of our students receive AFDC, SSI, or EI, we estimate that this one graduating class returns a great deal to the economy. The kinds of returns possible were recently substantiated by a City University study of the economic impact of CUNY 2 year and 4 year colleges (*The CUNY Economic Advantage*, 1991). The study, among other things found that (1) CUNY graduates pay more, the $335 million more in State and City taxes each year than they would pay if they had not gone to college, and (2) that CUNY's 1970-1990 graduates spend $2.1 billion more in New York each year than they would have spent had they not gone to college.

In summary, institutions of higher education can make a difference—the Higher Education Act must make a difference!

Mrs. LOWEY. Thank you, Dr. Santiago, and I would like to remind the rest of the panel that we were just alerted that we may have a vote as soon as 2 p.m..

Dr. Brademas, you remember those days. So if I could just ask you please to just sum up and then your statement will be included in the record in fairness to the next panel.

Dr. Jackson?

STATEMENT OF DR. EDISON O. JACKSON, PRESIDENT, MEDGAR EVERS COLLEGE, BROOKLYN, NEW YORK

Dr. JACKSON. Good morning.

I am Dr. Edison O. Jackson, president of Medgar Evers College of the City University of New York. We are located in Brooklyn, New York.

Chairperson, my Congressman, Major Owens and other distinguished members of this panel, I'm proud to come before you to offer testimony on behalf of Medgar Evers College and the City University of New York.

The main issue to which I shall address my comments concern the role of Medgar Evers College and the City of University of New York and the role that the Federal Government should play in enhancing equity of access and equity of success for black, Hispanics and other minority groups, through the reauthorization of the Higher Education Act.

As I reflected upon the views that have been commented on by my colleagues this morning and by professional associations, I was encouraged to learn that this panel is assuming the leadership role in soliciting comments from those of us who have been most negatively affected by the current regulations as well as having benefited considerably from the same.

As one looks at the contemporary issues that impact on the Nation and society, the challenge for the Federal Government is not to do less for all society, especially the disadvantaged, disenfranchised and poor society, but rather to find ways to create greater success for all of its citizens.

We, at Medgar Evers College, and I dare say the City University of New York, understand the capacity of education to transform individuals, a people and a Nation; and we have undertaken an uncompromising campaign to ensure that every resident within the City of New York who desires an opportunity for self actualization through higher education is afforded that opportunity at the various colleges within the City University of New York.

However, we cannot succeed in meeting these wonderful challenges and needs without the continued support of the Federal Government.

Now is not the time for the Federal Government to reduce its support for higher education.

As a matter of fact, given the many adverse contemporary issues that I have presented in my full testimony that confront our society today, and in the foreseeable future, the Federal Government must continue with our assistance to search for creative and successful ways to increase funding to education, especially those colleges and universities that serve minority and disenfranchised populations within urban districts.

In my written testimony, I have presented why it is in our enlightened self interest as a Nation to create better economic success for more of our citizens.

While I have talked about most of the issues, in terms of recommendation of all the other issues, what I would like to do at this time is to suggest that there are some additional areas of funding that to me makes an awful lot of sense to include, in the Reauthorization Act. Some of what I would recommend have been tried successfully at Medgar Evers Colleges and some that I've experienced myself as a student.

One: We have found that strong articulation arrangements with elementary, intermediate and high schools work for both entities. That is, students and faculty gained from these arrangements and experiences. They have been able to turn young kids on to science and technology, through such arrangements and provide opportunities for enriched experiences for youngsters for whom their own home school could not offer such programs.

Such collaborations should be funded for they work and they are least expensive because it works with the children and school on the very onset and reduces remediation and other support services in the higher education system.

Two, I believe that community service ought to be a part of every student's experience as an undergraduate for it does two things:

One, it teaches a sense of responsibility and second, it provides to the community an enormous amount of new resource to assist in battered and poor communities to become heathy and self-sufficient.

You can encourage such results through incentive funding.

Three, there is a national concern about how we can increase the amount of minority and disadvantaged persons who have entered a scientific and technological field.

We have a model program already in place that has been very successful in recruiting and retention of minority students in our institution, and it is the TRIO Program.

We can fund a second component in this category of funding that would increase the likelihood of success of young people going into science and technology.

Four, I would like to offer one additional suggestion. It relates to how we could increase the number of young and not-so-young to go on to the teaching profession.

I am one who benefited from the post-public era.

The National Defense Act which provided incentives for many of us to enter the science field. What was also attractive was that this program was designed so that one entering the teaching profession was served by an inner school or some other area. This is a model that worked.

It responded and we met our goals. My question to all of you this morning is: Do we have a will to do it again?

[The prepared statement of Dr. Edison O. Jackson follows:]

TESTIMONY

OF

Dr. Edison O. Jackson
President
MEDGAR EVERS COLLEGE
THE CITY UNIVERSITY OF NEW YORK

Before the

HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION

AT
THE HEARING ON THE
REAUTHORIZATION OF THE HIGHER EDUCATION ACT

Monday, June 24, 1991

Good morning. I am Dr. Edison O. Jackson, President of Medgar Evers College of The City University of New York, Brooklyn, New York. Honorable Chairperson and other distinguished members of this prestigious panel, I am very proud and delighted to come before you to testify on behalf of Medgar Evers College, the City University of New York(CUNY), and I dare say, all of the other institutions of higher learning. The main issues to which I will address my comments concern the role of Medgar Evers College and the City University of New York, and the role that the Federal Government should play in enhancing equity of access and equity of success for Blacks, Hispanics and other minority groups, through the reauthorization of the Higher Education Act. Several of my comments on these issues have also been addressed by many of my colleagues and are part of the official record.

In presenting my testimony, I will provide my assessment of several of the contemporary issues that are facing us as a Nation, and will likely affect the quality of life for the nation as we enter the 21st Century. I will attempt to relate these issues with the services that Medgar Evers College, and the City University of New York, provide in addressing them, and the need to modify the basic tenets of the HEA to allow colleges like Medgar Evers College, and the City University of New York, to more effectively deal with these problems.

BACKGROUND

Medgar Evers College is a unit within The City University of New York that offers both the associate and baccalaureate degrees. Located in Central Brooklyn, the College has a mission to provide educational service to the residents of the Central Brooklyn Community, which is predominantly African American and has the lowest per capita income in the Borough. We have an enrollment of approximately 3900 students, with 98% of them being Black and 70% female. The demographics of Medgar Evers College's students closely parallel those of most historical black colleges and universities. In addition, we offer degree programs that are responsive to the needs of the City and State of New York.

As I reflected upon the views that you have requested comments on, I was encouraged to learn that this committee is assuming the leadership role in soliciting comments from those of us who have been most negatively affected by the current regulations as well as having benefited considerably from the same.

As one looks at contemporary issues that impact on the nation and society, the challenge for the federal government is not to do less for all of society, especially the disadvantaged, disenfranchised and poor of society, but rather to find ways to create greater success for all of its citizens.

We, at Medgar Evers College, and I dare say the City University of New York, understand the capacity of education to transform individuals, a people and a nation; and have undertaken an uncompromising campaign to ensure that every resident within the

City of New York who desires an opportunity for self actualization through higher education is afforded that opportunity at the various colleges within the City University of New York. However, we cannot succeed in meeting these challenges and needs without the continued support of the federal government. Now is not the time for the federal government to reduce its support for higher education. As a matter of fact given the many adverse contemporary issues that confront our society today, and in the foreseeable future, the Federal Government should be searching for creative ways to increase funding to education, especially those Colleges and Universities that serve minority populations within urban districts.

CONTEMPORARY ISSUES

The rapid movement toward the 21st Century has wrought many problems and issues which have created for this nation new challenges that it has never faced before. These challenges are of such magnitude that failing to solve them may restrict our ability as a nation and a people to continue to enjoy our present standard of living and to maintain our leadership in the world.

Tens of millions of Americans are experiencing misery and despair. Close to one-third of Blacks and Hispanics in our society have incomes below the poverty level, three times higher than whites. The life expectancy for African American is falling and the infant mortality rate is rising. Unemployment rates for African Americans and Hispanics are more than two and a half times higher than that for whites. As one looks at the dreaded disease of AIDS, African Americans represent almost 30 percent. What is more devastating is the fact that Black women and children account for 50 percent of those infected. The use of drugs and violent deaths have reached epidemic proportions in our communities around this nation. In fact, the Black and Hispanic communities are the hardest hit in terms of this epidemic and many communities are almost under siege.

In a recent report entitled "One-Third of a Nation" by the Commission on Minority Participation in Education and American Life, certain stark realities are presented and documented. By the year 2000, minority groups will constitute one-third of all school-age children, 42 percent of all public school students in the nation, and 21.8 million of the 140.4 million people in the labor force. In many of our urban centers, the percent of minority youngsters who are illiterate or near illiterate is rising at an alarming rate. The Commission's current assessment is that America is moving backward - not forward - in its efforts to achieve the full participation of minority citizens in the life and prosperity of our nation.

We are seeing the development of a nation where the fastest growing segments of the population and the labor force are the minority groups, yet they are drastically underrepresented in the institutions of higher learning. The enrollment of non-traditional students referred to as " adult-learners" approaches or equals that of the traditional students in many of outpost secondary institutions. This new enrollment patterns will undoubtedly alter the current demography of post-secondary education.

The health care delivery system is undergoing massive changes which present new challenges and problems that, if not solved, will heavily deter the ability of the system to respond to the needs of many segments in society. The energy needed to have an expanded health care delivery system which speaks to the universal need to decrease the mortality rate of minorities and the poor is further undermined by the lack of trained health care workers.

It is clear that the American society cannot allow "unemployment, inadequate education, ill health and other social and economic hindrances" to continue to fester, to infect and destroy growing numbers of American citizens. It must be stated that centuries of institutional racism and decades of neglect and failure to act have created the desperate plight of our people today. What is more disturbing is that we as a nation are no closer to a solution to these problems and conditions today than we were a decade ago.

The call for action is ringing out loud and clear; yet our policy makers appear to have turned a deaf ear to these issues. We were warned by the Kerner Report that we are riding down a collision course creating a society of "Have's and Have not's." Most of the social indices that our society uses to measure its quality of life would suggest that we are losing the battle. Losing the battle in our schools, in our streets, economically, with our families and in a world sense.

The urgency for us is to find ways that we, as a nation, can arrest and reverse these conditions. The solutions to each of the problems that stymie the progress of freedom to all people requires knowledge, bold initiatives and commitment. In order to achieve this, we must have people who are able and willing to employ knowledge and resources in creative and bold ways. Mr. Chairman and members of this august body, I am encouraged, however, by your demonstrated commitment to make a difference.

ROLE OF URBAN COLLEGES AND UNIVERSITIES

The role that urban colleges and universities, like Medgar Evers College, and the City University of New York, must play in the fulfillment of its collective mission is, at times, tantamount to the simultaneous fulfillment of the five stages of Maslow's hierarchy of needs (Basic Physiological Needs - food, air, shelter, etc.-, Safety and Security, Love and Belonging Needs, Self-esteem Needs, and finally Self-Actualization) in our students. For many of our students who live in innercities and attend urban institutions, the basic necessities of life are either lacking or in short supply; they tend to lack the sense of belonging because for most of their lives many have been disenfranchised from mainstream America; in many instances, their self-esteem is low because they have been told time and time again, that they are incapable of succeeding at science, mathematics, engineering, and have not been exposed to the traditional liberal arts curriculum; finally and most importantly, our students come to us with a dream of becoming the best they can be i.e. self-actualization. In many cases, they have been kept in the basement of educational opportunities, having been denied equity of access to higher educational opportunities. On the other hand, students at other more traditional colleges and universities, come from environments where most of their basic Maslowian needs are already fulfilled. All that's left is their quest for self-actualization.

When viewed from this perspective, the challenge that confronts CUNY, and colleges like Medgar Evers College, is how do we simultaneously fulfill our students basic Maslowian needs, as well as assist them in their quest for self-actualization, i.e. fulfillment of their dream of a good life. This challenge becomes all the more difficult given the current, and proposed plans to alter the funding levels for urban colleges and universities.

Medgar Evers College recognizes this most urgent need, and is positioned to play an important role in educating the leaders of the 21st century as well as create an educated and highly skilled work force. We at Medgar Evers College, and CUNY, recognize the power and capacity of education to transform individuals and a people, understand the liberating force of education, and the positive effect it has on the economic well being of a City, State, and Nation. We also recognize that in some quarters public policy remains resistant to the kind of changes that must be wrought if we are to survive as a nation.

Nevertheless, the authorization of programs designed to enhance equity of access and success in higher education for all

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citizens, particularly African Americans, Hispanics, and other minorities, is a good investment for the nation. Not only do college graduates enjoy a higher standard of living, they also enjoy a competitive edge in the economic market place, have lower unemployment rates, and add significantly to the federal, state, and city tax cofers. In 1988, 88 percent of all college graduates actively participated in the labor force. Eighty-three of persons with one to three years of college education, 77 percent of people with high school diplomas were active participants in the labor force. In the 21st century, the labor market will demand that potential employees have, as a minimum, some level of post-secondary education. As minorities will comprise of the fastest growing segment of the population during this period, most potential employees will be drawn from this pool.Therefore, the federal government, as well as states and cities, should establish incentive programs, to encourage college-bound(as well as college-attending) students, to pursue(continue to pursue) higher educational opportunities; and provide avenues to enhance their chances of successfully completing their college education.

Medgar Evers College, the City University of New York, and other educational institutions, concur that the nation's urban centers are facing increasingly pressing problems in the areas of economic development, community infrastructure rebuilding, public health, housing, social and economic policy planning, that need to be addressed. There exists within these urban colleges and universities, like Medgar Evers College, and CUNY, the under utilized, as well as undiscovered, reservoirs of skills, talent, and knowledge, of both students and faculty, that are capable of solving the myriad of problems that are eroding the urban centers of this country. Unfortunately, the application of these skills, talent, and knowledge, is hindered by limited and constantly dwindling resources, and/or the misappropriation of these resources, to sustain the search for the solution to the pressing problems that are causing the decay of urban life.

Too often in our daily travels, we see vast numbers of children unprepared for school, fail, become angry, feel alienated and turn on society because they have nothing to lose. Medgar Evers College believes that urban colleges and universities, like the City University of New York, must assume the role of serving as the model educational institution that will play a significant role in breaking the cycle that dooms so many of the young people in our urban centers; the ones who turn to the alluring, often lucrative arena of drugs and crime. If we fail, along with other institutions, then our land will be racked by escalating domestic terroristic repressive efforts to control it, and eventual loss of freedom and opportunity.

We must not abandon a part of our mission and permit the loss of human success and destruction to continue. The existence of institutions such as Medgar Evers College, and the City University of New York, lends testimony to our commitment to provide and enhance equity of access as well as equity of success for African Americans, Hispanics, and other minority citizens, who inhabit our urban centers.

While these issues appear to cause despair and disillusionment about the future, there is hope; a hope that has its roots firmly grounded in urban colleges and universities, like Medgar Evers College and the City University of New York, that have experience in dealing with the problems facing urban residents. Residents who, by the very nature of their existence in these urban and rural settings, are most likely African Americans and hispanic, and face or have faced the inner city plight of poverty, lack of proper educational opportunity, inadequate housing, drug abuse and AIDS. Urban colleges and universities, with limited and constantly dwindling resources, have been at the forefront in successfully educating these constituents.

Urban Colleges and Universities in the United States have been providing the leadership, in terms of creating new programs and instruction. As one scans the educational, political, health care, energy and technological arenas, one is sure to find graduates from urban colleges and universities in positions of leadership, not only in the United States, but in many Third World countries, leading the fight to provide quality educational opportunities, health care, etc., and political leadership to the African American and Hispanic and other minority nations and communities.

The Role of Medgar Evers College

Enabling minority students to attain higher levels of educational achievement is the undergirding philosophy of Medgar Evers College. It is the College's position that effective education in the 1990s must of necessity be a collaborative activity involving a sizable cast. Accordingly, Medgar Evers College is giving close attention to the concept of "community", and to its components - joint effort and shared responsibility -as valuable elements in the education of our students.

Consequently, the College has embarked upon an agenda that has its roots firmly grounded in establishing and expanding collaborative efforts between and among the campus community; external community, including special purpose educational support groups and traditional local organizations; and pre-school through graduate school educational community.

Campus Community

Frequent news stories, noting high rates of high school dropouts, and low and declining rates of college entrants, remind us of the need for action. But rarely mentioned is the large percentage of minority student college dropouts, which, in terms of societal and personal loss, may be the most significant statistic of the three.

In an effort to address this concern, Medgar Evers College has been examining the assumptions that underlie its plan for serving its students. What we are finding is that the current policies and practices as they pertain to providing support services to students, instructional modalities, and many of the assumptions that we made about our students, are creating obstacles to student success rather than facilitating and enhancing the learning environment. What we are doing is to rethink and revamp the many policies and practices to make them more "student-centered" i.e. make them student-sensitive and student-driven, rather than administrative and/or faculty-driven. Our curriculum has been revised to make it more relevant and encompassing. The result has been that over the past year our attrition rate has decreased substantially.

In terms of recruitment, we are undertaking an aggressive marketing/recruitment campaign, which includes lectures by the president and faculty at the surrounding area schools, churches, and community-based organizations. In fact visits have been made to junior high schools. These efforts have contributed significantly to our enrollment growth over the past year.

External Community

Schools, colleges, and universities often see themselves as being alone in their struggle to increase minority access and retention. In part, this situation is of own making as we often give the impression to our various external communities that we have all the answers to the problems associated with serving students. This is especially true of undergraduate institutions who rarely seek real involvement of the external community in campus activities, and seldom ask for community cooperation and/or assistance other than financial donations.

At Medgar Evers College, we have an established community advisory council, made up of community residents, which advises the president on the various problems and/or concerns, and even proposes solutions to contemporary issues that confront our students. In addition we are working with area businesses and organizations to "adopt" our academic divisions, by lending their expertise through guest lecturing, sponsoring workshops and seminars, and internships. In addition, the College is establishing collaborative efforts with corporations, local business development agencies, and small business incubator agencies in the provision of expertise, training, and entrepreneurial offerings and services to the community. These programs and services have contributed significantly to the success of our academic enterprise, community renewal, and the enrollment growth at the College.

Educational Community

As Medgar Evers College looked at what is happening in K-12 and higher education in the educating of the residents of the Central Brooklyn community (a predominantly minority community), we found that each system is experiencing both success and failure in meeting the educational needs of the students. What we found, in many instances, was that each system was trying to solve its problems in isolation from the other, even though both would benefit from closer working relationships. In an attempt to address these problems Medgar Evers College has established collaborative efforts with the many feeder high schools in the Central Brooklyn area (Liberty Partnership, Erasmus Project, LEAP, etc). In addition the College has many grant funded programs to prepare and encourage minority students to pursue careers in the sciences and engineering professions(MARC, MBRS, STEP, C-STEP, etc)

The College is presently pursuing grant opportunities to establish a junior high school-high school-Medgar Evers College-Brooklyn College collaborative partnership to encourage and provide avenues for minority students to pursue science and engineering careers up through the doctoral level.

The College has an established mentoring program wherein Medgar Evers College students counsel and tutor high school and junior high school students. This has aided in reversing the high dropout rates. The College is presently pursuing avenues to articulate course content of feeder high schools and Medgar Evers College freshman year courses, and has an established Freshman Year Program to address the need to reverse the high rate of freshman attrition of our students.

The result of all of these collaborative efforts(Campus Community, External Community, and Educational Community) is that the College has been able to realize an unprecedented increase in enrollment over the past academic year: 21 percent increase in Fall 1989 over Fall 1988, over 24 percent increase in Spring 1990 over Spring 1989, a 39 percent increase in Fall 1990 over Fall 1989, a 28 percent increase in the Spring 1991 over Spring 1990. For the Fall 1991 enrollment projections reveal that the College's enrollment should increase by approximately 15 percent over Fall 1990. The College's enrollment increased from 2713 to 3975 for a net increase of 46.5 percent. We attribute these successes to the holistic nature of our collaborative efforts, as well as our intensive marketing/recruitment program.

What this is really saying to the funding agents is that we need to make additional monies available to expand collaborative efforts between and among urban colleges and universities, high schools, junior high schools, community agencies, business and industry; as it is a strategy that has proven to be successful.

Center for the Study and Resolution of Black and Hispanic Male Issues

Currently, Medgar Evers College is establishing a collaborative partnership with the New York State Black and Hispanic Legislative Caucus for the establishment of a Center for the Study and Resolution of Black and Hispanic Male Issues. The purpose of this center is to study and propose solutions to the many contemporary issues that have created the acute shortage of African American and Hispanic males who pursue higher education. At Medgar Evers College male students comprise only 30 percent(up 2 percent from last year) of the student population. When one considers the fact that one out of every four young African American males is connected with the prison system (probation, incarceration, parole, ex-prisoner, etc) this means that approximately one in every four families is impacted in a negative way. Indeed, we have a African American male crisis. The statistic for the Hispanic male, while not so catastrophic, is equally disturbing. These statistics do not address the number of African American and Hispanic males who are victims of drugs. Therefore, it is incumbent upon us as educators to reverse this growing number of African American and Hispanic males who are associated with the

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penal system rather than the higher education system.

The underlying premise of the Center for the Study and Resolution of Black and Hispanic Male Issues is the concept of mentoring and early intervention. Successful African American and Hispanic males (business leaders, faculty, students, sports personalities) will serve as mentors to our young African American and Hispanic males and encourage them to pursue higher education opportunities instead of the often lucrative-short-term drug trafficking. It is clear that mentor-mentee relationships should be an integral part of our strategies for educating our youth.

The overall objective of this Center is to facilitate success for the and Hispanic male through early intervention and persistent counseling and enlightenment via the mentor-mentee relationship. It is hoped that by providing positive role models that the African American and Hispanic male student will acquire the necessary self-esteem and confidence to pursue self-actualization.

Efforts such as these need to be afforded federal support through grants, and other inducements.

ROLE OF THE FEDERAL GOVERNMENT

A question that is central to this discussion is: "What is the appropriate role of the Federal Government in higher education?" A further and more sensitive question is: "Does the Federal Government have particular responsibilities towards specific populations?

Given the historical facts and the inherent inequities in the socio-economic and political systems, this educator wholeheartedly believes that the Federal government should take the lead in promoting access, addressing need, recognizing merit and promoting excellence. Urban colleges and universities whose missions and charters are to serve the under-prepared and socio-economically deprived students, should be funded at disportionately higher rates than other more traditional universities whose student demographies match those of the "typical American;" in an effort to correct the glaring inequities in our society.

The overriding philosophy should be that education and access to equal opportunities in education is a right not a privilege.

The Need for Minority Professionals

As most, if not all, of our professions (teaching, medicine, engineering, research, businesses, etc.) are being depleted by retirements, and other normal attrition, the need to increase the number of minority professionals to fill these present and future voids has never been more urgent. As our public school systems in our larger urban centers are being taken over by minority students, there is a large and growing pool from which to choose. However, if our students are not provided with the avenues to achieve their fullest potential, then the future of this nation is being jeopardized.

It is becoming increasingly more and more obvious that the Federal Government must intervene and take the necessary legislative action, and provide the required resources to facilitate the educating of our minority students to prepare them to assume their rightful place in this society. As urban colleges and universities are more experienced in preparing minority students for professional life then it is incumbent upon us to assume the leadership role in this process. However, the Federal Government must also play its part by providing the needed incentives to allow the urban colleges and universities to carry out its mission. America has, at various levels, in the part been able to solve its most pressing needs for human resources by offering the appropriate incentives to its citizenry. The time has come for it to do the same for urban colleges and universities to allow them to prepare the its students to fill the growing need for minority professionals.

Recommendations:

1. There exists a dire need to restore the current imbalance between the federal government appropriations for grants and the monies that are available for loans. Special emphasis should be placed on providing first time collegiate low income at-risk students with a higher proportion level of grants over loans during there early academic years as a way of provide the avenues for enhancing and promoting equity of access and equity of success for these students. There needs to be more grant assistance appropriated to the neediest working-class poor and moderate income families.

2. Incentive grants should be awarded to institutions to address the serious problem of retention and persistence of minorities

in higher education. Urban institutions of higher education should receive additional funds when they are able to show a proficiency in retaining and encouraging students to complete their educational process.

3. In exchange for an increased institutional match for the Supplemental Educational Opportunity Grant (SEOG), institutions should receive expanded authority to transfer funds between that of SEOG and CWS (College Work Study). This would provide the programs with more flexibility to meet the individual needs of the institutions.

4. An expansion of program incentives to fulfill the national need of faculty replenishment and recruitment with an emphasis on attracting more minorities into collegiate teaching in all fields. The Patricia Robert Harris Fellowships program should be re-authorized and receive a significant appropriation in order to assist in making available the benefits of doctoral education to minorities.

5. There should be a substantial increase in the current maximum appropriation of the Pell grant from the current low figure of $2,300 to $4,500 for the academic year 92-93; furthermore there should be legislative modifications to prevent the erosion of the Pell grant. The erosion of the Pell grant can be prohibited in the future by annually adjusting the Pell

grant by fluctuations of the Consumer Price Index. The primary result of this recommendation would be to ensure that the purchasing power of Pell grant suffered will remain fairly constant. Ultimately, this recommendation would reduce or in some instances totally eliminate borrowing early in the post secondary program by many of our students who are currently considered to be high risk students. Our high-risk students would then be able to make educational plans based upon the assurance that the Pell grant program would remain constant with the economic changing world of cost.

6. In order to provide low-income Pell grant recipients with a more realistic living allowance, there needs to be a simplification of the current complex formula. The Pell grant formula for determining individual awards should be altered to include the following recommendations.

(a) There should be a maximum award equal to that of $2,750 for living expenses, along with 25 percent of tuition cost (not to exceed $1,750) minus the Expected Family Contribution (EFC). This proposed recommendation would provide a more realistic living allowance (about half the average cost of room, board, and books), while simultaneously developing tuition-sensitivity for Pell grant recipients who pay higher educational expenses.

(b) There needs to be an income contingent repayment option plan to be designed for students who incur massive student loan debt, but whose income after graduation is not ompatible.

7. There needs to be an expansion of successful intervention programs which foster retention of high-risk students from underserved populations. The TRIO programs (Upward Bound, Talent Search, Educational Centers) are an example of such programs that despite their success, serve only ten percent of students eligible for TRIO services. Student special service programs such as (TRIO) are aimed at encouraging "at-risk" students from the sixth grade through secondary school, who would not otherwise aspire to higher education. Utilizing various tools ranging from advising, mentoring, counseling, and monitoring services the TRIO programs serve at-risk students who have been discouraged from attending college for various reasons ranging from misinformation about costs or lack of financial assistance, or who need developmental skill services to attain the required level of achievement while attending public colleges. It is imperative that we as a nation support programs such as TRIO, that help to identify and encourage minority students in the grades 7 through 12 to aspire to attain a post-secondary education.

8. The State Student Incentive Grant needs not only to be re-authorized but it should be expanded to encompass important new authority pertaining to early intervention programs for the "at-risk" secondary students. The Federal government

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should provide matching grants to the states, as part of a partnership to expand the State Student Incentive Grant to include early intervention programs designed to support eligible needy and academically at-risk students in the sixth grade through secondary school, and to make financial assistance available to such students to attend higher education. The result would be expanding sorely needed early intervention programs for low-income students ranging from mentoring, counseling, career planning and special remedial services they need for academic success. There is a growing awareness within the educational community that the failure of at-risk students to pursue post-secondary education is partially attributable to the fact that students and parents are not abreast of the numerous academic prerequisites for collegiate attendance and have inadequate information regarding the availability of federal assistance.

9. Continue to enhance the funding of less-than half-time students through the Pell Grant Program

10. Consideration should be given to a "step-down" model for replacing loans with grant aid beginning in the first academic year when students are most at risk and continuing through the academic cycle as students become less of a risk and more successful. Under this model, decreasing grant aid and increasing loan aid would be phased in on a schedule with

income levels and other known sources of aid as partial determinants of award levels and the balance between grant and loan aid.

11. In constructing such a model, student performance, retention and completion criteria could be used as incentives for continuing to receive the "step-down" schedule to demonstrate that success is not penalized, but rewarded for those who benefit from the taxpayer investment of grant and loan funds.

12. Funding must be expanded to reach the underserved populations by expanding programs known to work such as TRIO (Talent Federal Taxes).

13. Make it state policy that unemployment beneficiaries can continue to receive unemployment benefits during the period these beneficiaries are receiving education and training unless the state demonstrates that such training is not satisfactory for individuals.

14. Consider postsecondary education to be an allowable training activity under the Family Support Act and require states to consider such allowable training as long as satisfactory progress is being made in college and the course of study is consistent with the individual's career goals.

Investment by the tax payer for student financial aid should be viewed from the perspective that it provides better return on investments than investments by taxpayer for fighting the consequences of lack of proper educational preparation.

15. Begin the introduction of Title IV of Higher Education Act with new language which states the goals, purposes and application of student financial aid so as to signify its value added as well as its utilitarian value a taxpayer investment worth supporting.

CONCLUSION

Medgar Evers College and The City University of New York are committed to providing a high quality, baccalaureate education for every student who is academically able, individually motivated and personally dedicated. Urban colleges and universities, because of their location and specific charter will continue to devote their attention to academic achievement, cultural attainment and spiritual upliftment, through enhancing equity of access and equity of success for each student. We are committed by the very nature of our charter to bring about equity and equality of opportunity for our more disadvantaged students. We will work with the President, the Secretary and the Congress to accomplish the changes that must be made to ensure that every American citizen has the same opportunity for educational success.

Thank you for giving me the opportunity to testify before this prestigious committee.

Mrs. LOWEY. Thank you, Dr. Jackson.
Dr. Hope?

STATEMENT OF DR. RICHARD O. HOPE, VICE PRESIDENT, WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION, PRINCETON, NEW JERSEY

Dr. HOPE. Thank you, Chairwoman Lowey, Congressman Owens, Congressman Serrano and Congressman Molinari.

I appreciate the opportunity to speak before you today. I will try to be brief. The sun is moving this way and so increasing you will find my words will get more rapid as the sun moves. I do appreciate the opportunity.

My name is Richard Hope. I currently serve as Vice President of the Wooddrow Wilson Fellowship Foundation and direct our program in public policy and international affairs, which is designed to encourage minority students to enter careers in these fields.

This program identifies 150 talented minority students each year and brings them into the educational pipeline starting at the junior year of college and supports them through the master's or the doctorate degree.

I am here today to ask the subcommittee to support a program which is designed to expand the representation of minorities in public service for both domestic and international affairs.

As we know, minorities are severely under represented at present in both the professorate and in position of higher responsibility in international service.

In fact, I was delighted to hear that Dr. Brademas had spoke supporting the concept of international education.

The program is designed to improve the pipeline for the students who are interested in the international affairs careers.

It is a program which offers great benefits to minority students, and to the Nation's representations to the world.

The current program is administered by the Woodrow Wilson National Fellowship Foundation, and supported by the Ford, Rockefeller and Reed Foundations, and after 10 years of development by the Sloan Foundation.

As presently configured, the program has three major components. They are briefly:

One, the Junior Summer Institutes for College and University Students, which are 6 to 8 weeks in length, providing training in micro and macro economics, statistics, calculus, and a wide range of communications skills and public policy .

Second, Senior-Year Summer Programs for students who successfully complete the Junior institute which provide a wide variety of options, including summer language institutes training at the Monterey Institute for Languages as well as the Johns Hopkins School of Foreign Languages.

Finally, for the senior summer, we also provide about 60 internships to students who are in a variety of positions in Washington and elsewhere.

Finally, the current configuration has a graduate component which provides funding for the first year for the master's in public policy and international affairs.

For the second year, participating schools provide funding. Likewise, we are supporting 2-year fellowships for students enrolled in the Ph.D. program.

In addition to current components, we recommend extending the fellowship program to include community colleges and the freshman and sophomore years at 4-year institutions.

In doing so, we increase the career incentives through early exposure to opportunities and resources.

This will, in turn, help to reduce the college drop-out rate for colleges. The extension of community colleges will allow us to identify students at an earlier point in their academic careers.

It is significant because many minority students begin their academic work in these schools, which are frequently in or near their home communities.

The proposed extension of our program will help to increase the transfer rate for these students to 4-year institutions.

We anticipate making an outreach to high schools and secondary schools as well, through distinguished practitioners and scholars in the public service areas.

Guest speakers who would be excellent role models and mentors for students through the educational pipeline.

This is a program that works. It has a long history. It has been involved with students for over 12 years now.

It has an established track record of producing highly trained minorities who are Woodrow Wilson Fellows now teaching in universities and working in many aspects of public policy and development.

The Woodrow Wilson National Fellowship Foundation continues to network with new fellows with the illustrious list of Woodrow Wilson Fellows who were supported for the doctoral degrees in the 1940's and 1950's.

Many of these fellows are currently in positions as CEOs, presidents of universities and positions of political power in this country.

I, therefore, recommend that Congress fund this program to ensure:

1. Uninterrupted support necessary for the progression through this educational pipeline.

2. To increase recruitment of minorities to choose careers in the international career.

This program will have a significant impact on talented minorities interested in these important fields, which will ultimately have a positive effect on the relationships of our country.

Thank you.

[The prepared statement of Dr. Richard O. Hope follows:]

Prepared Statement of Richard O. Hope, Vice President, Woodrow Wilson National Fellowship Foundation

Mr. Chairman, members of the subcommittee, my name is Richard O. Hope. Currently I serve as Vice President of the Woodrow Wilson National Fellowship Foundation and Director of our program in public policy and international affairs which is designed to encourage minority students to enter careers in these fields. This program, identifies 150 talented minority students each year and brings them into the educational pipeline starting at the junior year of college and supports then through the master's or doctorate degree.

I am here today to ask the subcommittee to support a program which is designed to expand the representation of minorities in public service for both domestic and international affairs. As we know, minorities are severely underrepresented at present in both the professoriate and in positions of higher responsibility in both domestic and international foreign service. The program which we represent promises to improve the "pipeline" of students who are entering studies leading to international affairs and public policy careers; it is a program which offers great benefits to minority students, and to the Nation's representations to the world

The current program is administered by the Woodrow Wilson National Fellowship Foundation, and supported by the Ford, Rockefeller, and Reed Foundations, after 10 years of development by the Sloan Foundation. As presently configured, the program has three major components. These are:

1. *Junior-Year Summer Institutes for College and University Students*, which are 6 to 8 weeks in length, providing training in micro, and macro economics, statistics, calculus, and a wide range of communications skills and policy issues.

2. *Senior-Year Summer Programs*, for students who successfully complete Junior-Year Summer Institutes, which provide a wide variety of options, including summer language institutes at the Monterey Institute and Johns Hopkins' School of Advanced Studies (SAIS); and internships across a broad spectrum of government and private agencies.

3. *Graduate Programs*, providing Foundation funding for first-year fellowship aid for master's degree studies in public policy and international affairs, with participating schools funding the second year of study. We also provide 2-year fellowships for students enrolled in Ph.D. programs in economics and political science, with a specialization in public policy or international affairs.

In addition to these current components, we recommend extending the fellowship program to include community colleges and the freshman and sophomore years at 4-year institutions. In doing so, we will increase career incentives through earlier exposure to opportunities and resources. This will, in turn, help to reduce the college drop-out rate for minorities, which is significantly higher than the rate for majority group members (for example, between 1964 and 1989, the college completion rate for African-American students dropped from 45 percent to 36 percent. Rates for other minority groups in urban areas show similar declines).

The extension to community colleges will allow us to identify students at an earlier point in their academic careers. It is significant because many minority students begin their academic work at these schools, which are frequently in or near their home communities. The proposed extension of our program will help to increase the transfer rate for these students to 4 year institutions, which will enlarge the potential pool of eligible students for public service careers.

We anticipate making an outreach to high schools and secondary schools as well, through distinguished practitioners and scholars in the public service area, who will serve as guest speakers for high school programs. In doing so they will be excellent role models, and may also serve later as mentors as these students enter college and progress to graduate school.

Our program is one that works. It has an established track record of producing highly trained minorities who are Woodrow Wilson Fellows (or Sloan Fellows) now teaching in the universities, or working, in many aspects of policy development and implementation in our major urban centers throughout the United States. More than 2,000 minorities have participated over the last 13 years of its history.

The Woodrow Wilson National Fellowship Foundation continues to network the new minority fellows with its illustrious list of Woodrow Wilson Fellows who were supported for the Doctoral degrees in the 1940's and 1950's. Many of these fellows are in leadership positions as presidents of universities, CEO's of corporations, and political leaders at the Federal, state, and local governments in America.

We, therefore, recommend the Congress fund this program to ensure: (1) Uninterrupted sources of support necessary for the progression of minority students through the educational pathway each year. (2) Increased recruitment of minorities to choose careers in international affairs and public policy.

By doing so, the program will have a significant impact on talented minorities entering these important fields which will ultimately have a positive effect on the relations of the U.S. around the world. If time permits, I will be happy to discuss the costs of this program.

Mrs. **Lowey**. Thank you, Dr. Hope.

Ms. Molinari?

Ms. **Molinari**. In the interest of time, I have no questions at this point.

I just wanted congratulate in specific Dr. Santiago, those are incredible success numbers that you present to us.

In fact, I think, you do hold at as an exceptional model for the Nation to follow.

Dr. SANTIAGO. Thank you. I'm the product of a wonderful student body and a marvelous faculty.

Ms. MOLINARI. Congratulations.

Mr. SERRANO. I only have a comment that I know that is one that I have certainly discussed over the years with Mr. Owens.

That is that our committee and our Congress should pay special attention to the comments of Dr. Santiago and Dr. Jackson make, because when you take on the challenge in communities where they have taken the challenge and you do it with limited resources and as I know in the case of both Medgar Evers and especially Hostos where every 4 years somebody comes up with a grand plan on the State level to either consolidate three schools into one or get rid of them.

We have to then justify the existence all over again. I think with that pain comes an experience and an ability probably to stretch a dollar better than most people stretch a dollar in this country.

I think it would serve us well, and I'm saying it publicly so that it is in the record, to begin to look more and more on how they accomplish what they do under very difficult circumstances.

Than perhaps, rather than, to think of how to do away with them, think of how they could help us do more in other areas. So I congratulate you both.

Mrs. LOWEY. Mr. Owens?

Mr. OWENS. Just one comment for both Dr. Jackson and Dr. Santiago.

Dr. Santiago, you said you serve like 70 percent female students?

Dr. SANTIAGO. Eighty-three.

Mr. OWENS. Eighty-three percent female students. Pretty high at Medgar Evers too, isn't?

Dr. JACKSON. Seventy percent.

Mr. OWENS. Seventy percent. So, obviously, any special concerns ought to be addressed by this higher education bill in view of the fact that both of you are serving.

Dr. SANTIAGO. There's no question with regard to the financial aid analysis. Of our women, 60 percent are single heads of household with dependent children.

From the financial analysis, there are major questions that need to be addressed and we've outlined those in the university recommendations.

Mr. OWENS. New York State now does permit welfare recipients to go college for 2 years?

Dr. SANTIAGO. Yes, also to the point that one of the colleges that was at the forefront developmenting mechanisms.

We hired lawyers. In fact, on our counseling staff, there are three lawyers that would put affidavits together in the past to get our women eligible to come to college and get all the forms necessary.

That's been expedited now in the State, there is a very progressive movement by State officials to make resources available and to deal with the bureaucratic problems.

Many still exist, and for instance, Barbara Stable in New York who is very responsive and supportive, visited the college 2 weeks ago.

There will be other major revisions within the department. But if we are going to get women eligible, if we are going to deal with the bureaucracies, paperwork, we can show we can be very successful.

One of the problems that Edison raised about our preparation of teachers. For instance, at Hostos we have one of the largest community college preteacher programs, bilingual teachers, our students who are Spanish-speaking, yet one of the programs that the State would not permit were 4-year programs.

They had to be programs leading, within short terms, within 18 months to a specific job.

As a child care worker, they have to have at least 2 years preparation, yet in the borough of the Bronx, I think, there are at least 2,500 daycare workers that a student with a 2 year degree is eligible for that we need to fill in the borough to meet childcare needs.

There are still aspects of the State law that don't support us moving people, our women, through programs that they are very capable in.

Mr. OWENS. One quick question to Dr. Hope.

The universities now provide part of the funding. Do you think their participation will still be there if this is expanded in Federal funds? What kind of response do you get from universities?

Dr. HOPE. We've gotten excellent responses from the universities, primarily because they realize that quality of the students they will be receiving. The students are recruited very widely from Hispanic universities, from historically black college and universities, Native American colleges all over the country, and they know the kind and the quality of students entering the program are absolutely topnotch.

In fact, we had a speaker who was coming to this university that will remain anonymous. He had heard that the students were minority students and this was a great scholar, and didn't prepare because he heard that they were minority students.

These youngsters who were juniors in the summer institute sounded like first and second-year graduate students, and by the time their questions were over, this faculty member had to admit the fact that he had to go back to the drawing board and realize that these are kids who certainly are topnotch.

Dr. SANTIAGO. For Hispanics in order to advance after the first degree, there are major problems related to loans.

For Hispanics, by and large, the largest percentage of graduates are first in their families to graduate from higher education.

Consequently, a lot of them, the research on our black families show the same, that the first to go to college then has extended family obligations.

The weight of the loans is often the major disincentive for them to plan advanced graduate study, so that the impact of loans here on the education of minorities just has an impact from the beginning of higher education to the more advanced levels as well.

Dr. HOPE. By the way, we do not allow loans in our program for that very reason.

Mr. **Owens**. I have additional questions for Dr. Hope and some of the other witnesses coming later, but I have to leave for a 1 p.m. appointment. I want to thank the committee for allowing me to be here as a guest and would submit questions in writing to the other witnesses.

Mrs. **Lowey**. Thank you. Just one comment because in the interest of time, I'll submit my questions to the record, also.

I do want to reemphasize the point made by both Dr. Santiago and Dr. Jackson, and that was your emphasis on training women and minorities in math, science and engineering, and if we're going to face the realities of the work force, then we have to face the reality that there just aren't enough women and minorities entering those careers, and we have to do something about it.

Towards that end, I have introduced a bill, H.R. 2142, which will amend several sections of the Higher Education Act to encourage more women and minorities to enter those critical fields.

I thank you all for your testimony. I apologize that we're moving forward so quickly, but I thank you for joining us today.

If you have any other additional comments, please don't hesitate to enter them into the record.

Mrs. **Lowey**. Will the next panel come forward? Dr. Reynolds, Dr. Polishook, Mr. Petrides and Mr. Jerome.

We're going out of order, and I apologize, but Ms. Molinari has to leave.

Mr. Petrides?

STATEMENT OF MICHAEL J. PETRIDES, MEMBER, BOARD OF EDUCATION, THE CITY OF NEW YORK

Mr. **Petrides**. Thank you for bringing these hearings to the City of New York.

Congressman Serrano, Congresswoman Molinari, both of you will always be Joe and Susan. Both of you were elected on March 20, 1990 on my birthday, and both of you are a very good addition to the House of Representatives.

I come here today with a very special set of hats. I am a member of the Central Board of Education.

Much of what you have in the Higher Education Act affects and crosses and should cross both the judicial public educational system in the colleges of this country.

I'm in a very fortunate position. I feel honored to be able to testify before you.

What I'm going to talk to you about is a national crises, one in which we hear about and very little seems to be done about it. That deals with the shortage of the teaching profession that exists in our public school systems, especially in critical areas of mathematics and science and bilingual education and special education.

You have an opportunity because of the legislation, because of the intent of the Higher Education Act, because of not only Title IV but the other titles of that act, to confer in a major way and have an impact in this Nation for what is really a national crisis.

One generation of teachers affects the next generation of teachers and that present generation of teachers was impacted by the future, by the former generation of teachers.

If you don't break that cycle, if we don't get to the point of providing the public schools of this Nation with qualified teachers, we will be in a vicious cycle of a constant downturn.

Our schools are as good as the teachers that are in those schools.

You have the ability, and I've submitted testimony on this topic, you have the ability at your disposal. In Title V, you're dealing with issues of recruitment and faculty development.

In Title IV, you are dealing with financial aid, and most of the testimony that you'll hear throughout the Nation will deal with the grants and loan programs of Title IV, because that's where the dollars are.

As you know, what you do with Title IV probably drives the policies and the finances of most colleges in this Nation, but you have an opportunity to deal with the issue of the teacher shortages, especially in critical areas.

I had very specific suggestions to consider. Specifically, the loan programs.

I think it makes sense to look at the loan programs and all the financial aid programs and target them in some way to national needs. There is nothing wrong with saying that the threshhold for a grant, given the limited resources that you have, we'd all like to have free higher education across the country. It's not possible.

But you can target national needs to those grant and loan programs.

What I'm specifically suggesting is that whatever the threshhold is for the loan program, let's say it's $33,000 or $40,000 a year, raise it for the teaching profession.

That is, if an undergraduate is majoring in education, to get into what is such a national need, raise that threshhold. It doesn't have to be the same for everybody.

The second thing that I strongly suggest is to think about a forgivable loan program for critical shortage areas.

Joe, you're aware of the need of bilingual education in this city, but it exists in most certain areas, and it certainly exists in California.

When a student becomes a graduate and gets certified to teach in areas like mathematics, science, bilingual education, special education, whatever the needs are, let that loan be forgiveable. For every year that that individual teaches in the school system, wipe out the loan.

It would do two things: One, it would increase completion rates of students because they wouldn't have the loans on their backs;

Two, it would end the teaching profession problem.

Three, since one of the problems of recruiting into the teaching profession is the low starting salary, you will be giving a supplement to the starting salary by waiving the loan.

It is not a major investment. It would increase completion rates. It would encourage people to go into the teaching profession and it will meet a critical shortage.

Targeting financial aid to national needs is not something that's new. In 1957, the Soviet Union put up Sputnik. It was a 20-pound thing that was orbiting the globe and the United States panicked.

In the beginning of the first guaranteed student loan program and drove a lot of programs, was the fact that we woke up and found out we were technologically slipping.

So, special student loans and grant programs were put into effect for students who went into science and technology and engineering.

I was there. In 1958, I entered City College as a freshman. In 1963, I was working on the Apollo Man/Moon Project as an engineer.

The crisis of the 20-pound satellite circling the globe doesn't come near the crisis that this country faces in the teaching profession.

You have in Title V, the ability to encourage postsecondary institutions to do what they have to do. They have a responsibility, and certainly in this city, the City University has the responsibility to deal with the issues of the Board of Education, and fortunately Chancellor Fernandez and Chancellor Reynolds are working on those solutions.

You are a national level. We'll do two things by doing what I'm suggesting.

One, you'd be flagging to this Nation that we're in a crisis;

Two, you'd be doing something about it.

One last thing I want to mention about loan programs in general.

The middle class of this country is going to get shut out of higher education unless something is done, and your limitations on dollars are real.

I would suggest that somebody consider creating an IRA program or a 401K program where taxes or annuities can be used to meet the higher education needs of students.

That is, let young people begin investing in something, because the tax structure has taken out incentives for investing.

So that young people can invest, and at the time when their children are ready for higher education, let them use an IRA or 401K and just raise the penalty for early withdrawals.

That would help you in the long run to have the middle class be saving as a condition for knowing that they want their children to go into higher education, saving early, so that at the end, no one can afford in the middle class $20,000 a year in tuition.

I was telling Susan this morning when we were driving up, I bought my first home for $20,000 about 30 years ago. You're telling me I'm going to buy four homes in 4 years for one child, and I have five children. Four of them have finished school, thank God, for some of the loan programs, but please be aware of the fact that what you're doing is so critical. This is the last piece of legislation in this century that will have an impact on the postsecondary education.

We have to think across the board, not just the poor, but the middle class, because the last thing that you want is higher eduction to be something which you must either be very rich or very poor to receive.

Thank you for this opportunity.

[The prepared statement of Michael J. Petrides follows:]

PREPARED STATEMENT OF MICHAEL J. PETRIDES, MEMBER, BOARD OF EDUCATION, CITY OF NEW YORK

Chairman Ford and members of the House Subcommittee on Postsecondary Education I too join my colleagues today in thanking you for bringing your hearings and deliberations surrounding the reauthorization of the Higher Education Act of 1965 to New York City. This act, with all of its amendments, is the most significant and comprehensive Federal legislation driving the finances and policies of our Nation's colleges and universities.

My testimony, today, is influenced by my professional experience and a unique set of circumstances that have placed me in policy making and administrative positions that span across all levels of public education elementary; secondary; and postsecondary. I am presently a member of the Central Board of Education of the City of New York and a faculty member and long time administrator of a unit of the City University of New York, the College of Staten Island. These two educational institutions, the Board of Education and CUNY, represent the largest public school system and urban university system in the Nation. I mention this not because my comments are addressing regional problems but rather because the exposure to those issues faced by large institutions usually touch on those concerns confronting most institutions in all regions of the Nation that look towards Federal solutions.

I believe, very strongly, that many issues confronting elementary and secondary education can be addressed by recognizing the responsibility of the postsecondary sector and, conversely, so many issues faced by our colleges and universities today can be alleviated by partnerships developed with the public school districts of our Nation.

I will concentrate first on a national tragedy, one that is certainly not regional, that is upon us today and will reach crises proportions in the very near future. In fact, it is already too late for tens-of-millions of our nation's children. I refer to the acute teacher shortage, especially in areas such as mathematics, science, bilingual and special education. The trends of the last two decades indicate that fewer undergraduate students are choosing postsecondary programs that can lead to teacher certification and, even more alarming, those who do rank well below the norm in SAT scores compared to other freshmen.

So, we are confronted with a double-barrelled problem: recruitment into the teaching profession; and, the qualifications of future pedagogues. And, if we don't address these issues head-on, the next generation of future teachers, will, without a doubt, be inferior to today's new teachers. The teachers of a future generation are invariably influenced by the teachers of a present generation, who were in turn shaped by the pedagogues of a former generation.

This subcommittee, by virtue of the laws, regulations and priorities inherent in the Higher Education Act, is in a catbird seat to take the forefront in recommending substantial changes in the act that, not only, will focus the attention of the Nation to the shortage problem it could advance solutions that directly address the issue.

Consider what can be accomplished by forging a "union of priorities" between the goals of Title IV (the grants and loan programs) with those of Title V (the mandate to recruit and enhance the teaching profession). I am suggesting that resources and priorities of both Title IV and Title V be directed, in a major way, towards meeting the pedagogical personnel needs of the public schools of our Nation.

I advance the following as suggestions for your serious consideration.

Raise (if not totally eliminate) the income threshold level in the needs test of the Stafford Loan Program for students who enroll as matriculated students in postsecondary program that lead towards teacher certification.

In areas of critical shortage (i.e.. teachers of mathematics, science, bilingual education, etc.) design a forgivable loan program for graduates who become certified in these areas (e.g. one year forgiveness for each year of full-time teaching).

Establish, under Title V, priorities and regulations that will encourage colleges and universities to forge partnerships with school districts that will address critical personnel and professional development needs for pedagogical staffs.

It is my belief that a "loan forgiveness" program would enhance completion rates for undergraduates enrolled in programs leading to teacher certification. And, in a real way, it will be an income supplement to the low starting teacher salaries that are a principle reason for recruitment problems at many of the Nation's school districts. It would be, at one-in-the same time, an incentive to graduate as a certified teacher and an incentive to enter the teaching profession.

The recommendation to target the loan program towards shortage areas that are of national concern is not unique. I remember in 1957, I when the United States was startled by the Soviet achievement of Sputnik and the Nation woke up to the fact that we were slipping technologically as a Nation, Congress enacted grant and loan legislation specifically targeted to undergraduates pursuing engineering, science and technology programs. I was there. I entered the City College of New York in 1958, and in 1963 was employed as an engineer working on the Nation's Apollo project.

Today's shortage of teachers and the rapidly declining pool of qualified certified teachers is much more of a national crises than was the twenty pound satellite that was orbiting our globe 30 years ago.

Targeting financial aid to meet critical pipeline personnel issues of national concern is a concept that works and I respectfully suggest that this subcommittee can be in the forefront of advancing solutions through the reauthorization process.

I'd be remiss if I didn't take this opportunity to digress for one minute on two related issues which you will be deliberating in the weeks ahead.

The first is the Fund for the Improvement of Postsecondary Education, better known as FIPSE. From personal experience, I can tell you that by its application process, its competitiveness, its insistence on measuring the ability of an innovative project to become institutionalized, and through its goals of dissemination, FIPSE is the best return for any dollars invested by the United States Department of Education. It is a model that other competitive grant programs should replicate.

And, finally, since so much of your deliberations will, by necessity, concern themselves with the future ability of America's middle class to afford the escalating costs of higher education (at a time when grant and loan opportunities dwindle), let me add one more thought.

Consider advancing the idea of a special IRA or 401k tax deferred annuity program targeted for use as a means of paying for the future costs of higher education. I suggest a program where there is no penalty if a tax deferred annuity is withdrawn "early" in order to meet the costs of higher education. This would encourage citizens to save for their children's future higher educational needs, decreasing the reliance on government grant and loan programs while at the same time stimulating savings among our younger taxpaying citizens who are being strangled by a tax structure that has decreased the incentives for investment.

I thank you for this opportunity to testify before you today and wish you success as you close in on the most important and last major piece of postsecondary legislation of this twentieth century.

Mrs. LOWEY. Thank you very much.

Dr. Reynolds?

STATEMENT OF DR. W. ANN REYNOLDS, CHANCELLOR, THE CITY UNIVERSITY OF NEW YORK, NEW YORK

Dr. REYNOLDS. Thank you. Distinguished Chairwoman, members of the subcommittee, I thank you for this opportunity.

I'm going to be very brief, because I think almost every notion that I have in my remarks have been presented today.

I was very proud of the two presidents from the City University of New York, President Santiago and President Jackson, whose testimony you have heard earlier, and I endorse and support what they presented to you.

I would remind you that the City University of New York considers ourselves, and I think we've got some help in this, the Nation's leading public, urban university we're now nine senior colleges, seven community college, an urban technical college, a graduate school, law school, medical school and an affiliated school of medicine.

In the face of some of the most difficult budget years this university has ever confronted, we continue to have burgeoning enrollments. We have about 200,000 students, and our enrollments for this fall look very strong again.

We're a low cost, high quality, open admission university. As you heard earlier, you heard specifics from two campuses. Our student population now overall is 61 percent women and 58 percent minorities. Most of our students are indeed the first of their families to attend college. Our university generates some $7.4 billion when you look at the multiplier effects in economic activity in the city and State.

Let me dash ahead and summarize our recommendations that come from all of the presidents and myself.

We strongly recommend a maximum Pell award of $4,500 per student. We look at that as a bottom figure and we submit it to you quite strongly.

We recommend changing Pell Grants from a discretionary to a mandatory account. We think that higher education is so important that Pell should be an entitlement program.

Thirdly, we recommend automatic increases in Pell Grants to the Consumer Price Index because students expenses go right up along with inflation.

Fourth, reworking the Pell Grant formula to increase its income sensitivity. This may require an adjustment in the income taxation table.

Finally, we believe because so many of our students must work and go to school part time, that Pell Grants should be available to less than half-time students. We recognize that's in Congresswoman Mink's bill, H.R. 2331.

I want to commit to this fine committee. I'm pleased that I have met and talked with you about educational issues. Our commitment to improve the integrity of the loan program, we're working on our default problem as well and we know you're concerned about that, and we are, too.

We also encourage further study and assessment of the effects of the front loading of grant money in the first 2 years of the collegiate experience. I know that idea has surfaced. I've had conversations with Mr. Wolanin and Congressman Ford on that issue.

We believe they show potential for reducing administrative costs and loan defaults making more dollars available to needy students.

I very much support Mr. Petrides' comments recommending some extra support for students who wish to become teachers. The notion of a loan forgiveness program for teachers which he outlined to you is one that we have also recommended in our testimony.

In fact, we even connected it to Sputnik as well, so we agree with you.

We strongly support H.R. 2142, the legislation entitled "Women and Minorities and Science and Mathematics Act of 1991" and introduced by Representative Lowey. We really believe that should be an amendment to the Higher Education Act.

We have a deep commitment and are pursuing some major initiatives to increase postsecondary science and mathematics opportunities for women and minorities.

We take your work very seriously. We commit to you to be helpful in any way we can.

I want to leave you with two additional steps that we believe the subcommittee might want to consider along the lines of outreach and community service.

They are: To review the relationship between community service, learning positions and the college work study program;

Secondly, to establish a Federal urban fellows program, which would involve fellowships awarded by urban universities to urban students to cover all costs of tuition, room, board, and incidentals.

I appreciate your commitment to the reauthorization process. I strongly support Chairman Ford's position that we must not allow short term budget considerations to drive important policy decisions.

Thank you.

[The prepared statement of Dr. W. Ann Reynolds follows:]

PREPARED STATEMENT OF W. ANN REYNOLDS, CHANCELLOR, THE CITY UNIVERSITY OF NEW YORK

Distinguished Chairperson, members of the subcommittee, thank you for the opportunity to present testimony on reauthorization of the Higher Education Act.

I am W. Ann Reynolds, Chancellor of The City University of New York (CUNY), the Nation's leading public urban university. CUNY comprises nine senior colleges, seven community colleges, one technical college, a graduate school, a law school, a medical school, and an affiliated school of medicine. More than 200,000 students are enrolled at campuses throughout the five boroughs of the City of New York. We are a low-cost, high quality, open-admissions university serving a student population which is over 60 percent ethnic minorities, many of whom are the first of their families to attend college. Our university generates 7.4 billion dollars in economic activity in the City and State. Without CUNY, New York would be diminished economically, socially, culturally and intellectually. My comments regarding reauthorization are put forth from this CUNY perspective.

Let me begin by, addressing Federal student financial assistance. Clearly, the most frequently stated and compelling concern relative to the aid programs, is the need to address the growing imbalance between grants and loans. In 1975–76, grants constituted 80 percent of available financial assistance. That proportion had dropped to 49 percent by 1989–90. During the same time period, the percentage of aid in loans rose from 17 to 48 percent. This over reliance of loans deters many traditionally underrepresented students from pursuing higher education, and impacts negatively on retention and graduation rates.

Even at low-cost, open-admissions institutions like CUNY, today's Pell Grant program is woefully inadequate. The past decade has seen a dramatic decline in the purchasing power of Pell Grants. Today, we are on the verge of seeing Stafford Loans becoming the primary form of financial aid available to needy students. This is a situation which I believe the Congress never intended, and must act to correct. Something must be done to restore the Pell Grant program to its proper role as the foundation program for needy students. Specifically, I recommend: A maximum Pell award of $4,500 for 1992-93 grants; changing Pell Grants from a discretionary to a mandatory account (make Pell an entitlement); tie automatic increases in Pell Grants to the Consumer Price Index (CPI); rework the Pell Grant formula to increase its income sensitivity. This may require an adjustment in the income taxation table, but would better target funds to low-income families; and make Pell Grants available to less-than-half-time students by supporting H.R. 2331 (Mink D-HI).

We at CUNY recognize the compelling need to reduce the default rates in the Stafford Loan program. Our campuses are making extensive efforts to improve the integrity of the loan program, and we look forward to working with the Congress and executive branch to achieve that goal. We realize that the default problem is complex, and new innovative approaches and procedures may be needed to resolve it satisfactorily. We would support a well designed and carefully conducted national pilot project to assess the efficiency and cost-effectiveness of a direct loan model. We also encourage further study and assessment of the effects of "front loading" of grant money in the first 2 years of the collegiate experience. Both of these concepts seem to have some potential for reducing administrative costs, and loan defaults, making more dollars available to needy students.

Before leaving student aid programs, I want to urge the subcommittee to legislate simplification into all of the programs. Surely, some less cumbersome and less intimidating sets of forms and processes can be established for determining and awarding aid to needy students.

The second area of the Higher Education Act that I want to address is Title V-Educator Recruitment, Induction, and Development. The Federal Government must begin to do more to improve our system of recruiting teachers and school administrators. A national commitment must be made to: recruitment of more minority candidates into teaching; renewal of current teacher preparation programs; and meaningful professional development for all educators. I strongly urge the subcommittee, and the entire Congress, to approve a loan forgiveness program for students committing to teach in high demand, low supply fields and in difficult and very challenging environments such as those found in our major urban schools. This Nation has a history of launching "crash" programs during times of great national need. The Sputnik-era is a prime example. Let us now put the same effort and resource commitment into educating our citizens so that we may not need a future Sputnik-type effort because of a lack of a well educated citizenry.

The mention of Sputnik leads into the important issues of the science and technological workforce now facing this country. Study after study and report after report, have made clear that the United States is facing a crisis in the production of scientists and engineers, endangering our national security, basic life-style and living standard. The situation is particularly severe in terms of women and racial/ethnic minorities who have been traditionally underrepresented in the scientific and technological fields. National legislation and national commitment will be essential if we are to increase our numbers of students enrolling in, and completing, science and technology programs.

As one step in addressing the looming shortfall in the U.S. scientific and technological workforce, I am pleased to express my support for H.R. 2142. This legislation, the "Women and Minorities in Science and Mathematics Act of 1991," introduced by Representative Lowey, should be accepted as an amendment to the Higher Education Act. Representative Lowey's amendment would certainly help to increase postsecondary science and mathematics opportunities for women and minorities, thereby improving the future of all Americans.

The final area that I want to touch on is that of the University, as a provider of services to its community, and the Nation. We at CUNY take seriously, and commit significant resources to what we consider outreach and community service programs and activities. These programs and activities provide assistance to local government in addressing some of the very devastating problems of the city. CUNY has a outstanding force of talented economists, urban planners, public policy specialists and health care professionals who along with many committed students can make tremendous contributions to our cities. I urge the subcommittee to make the strongest possible case for Title XI of the HEA. Federal funding of this title would significantly increase CUNY and other urban institutions' ability to aid America's cities. Two additional steps that the subcommittee could take to facilitate this expansion of outreach and community service are: review the relationship between community service learning positions and the College Work Study (CBS) program; and establish a Federal Urban Fellows Program. These fellowships, awarded by each urban university, to urban students, would cover all costs of tuition, room and board and incidentals.

In closing, let me say that I sincerely hope that we will complete this reauthorization process with an act that is more sensitive to the students of the 1990's and beyond, and to the institutions that serve them, as well as the needs of the Nation. I strongly support Chairman Ford's position that we must not allow short-term budget considerations to drive policy. We need to authorize a bill that provides what is needed, not simply what meets some budget target. Accountants should not set educational priorities, elected officials should.

I will be happy to respond to any questions that you have.

Mrs. LOWEY. Thank you very much for your testimony.

Dr. Polishook?

STATEMENT OF IRWIN H. POLISHOOK, PRESIDENT, AMERICAN FEDERATION OF TEACHERS, NEW YORK

Dr. POLISHOOK. I want to begin by thanking you very much, Madam Chairwoman and the distinguished members of the panel, for the opportunity to present testimony on behalf of the American Federation of Teachers.

We represent 750,000 teachers and other professionals. Included in our ranks are 80,000 in colleges and universities throughout the United States.

We submitted a 100-page proposal, so what I can do quickly is summarize where those proposals are and where they go.

First and foremost, we believe it's important in this reauthorization to write the imbalance between grants and loans and to center attention particularly on the Pell grants.

Secondly, we believe it's essential to insure equitable aid to nontraditional students. Here, the Pell Grants and other forms of direct aid are very important in the area of grants.

Third, we think it's essential to protect students against trade school frauds and abuses about which you heard something at these hearings. We have attached in my testimony a report that the American Federation of Teachers prepared last year regarding this, and we have a number of proposals respecting how to improve the protection of students against fraud.

Fourth, we think it's essential to strengthen the teacher development portions of the Higher Education Act, particularly Title V.

I can summarize my testimony with two comments:

One, the Pell Grants are the foundation of support from the Federal Government. Chancellor Reynolds has indicated the proportion of minority students now attending the City University of New York almost as high as 60 percent, and the nontraditional character of that cohort.

I would venture to say that is the vanguard population of the 20th century already attending one of our public institutions of higher learning, and something that will become more and more characteristic of institutions of higher learning throughout the country.

They're here right now, and it's essential that we get back to the foundation of Federal support through the Pell Grants, which was to provide grants rather than loans and other forms of assistance to students.

At one point in time at the beginning of Federal aid, four-fifths of all support to students from the Federal Government was in the area of grants. That is now at a rate of 20 percent and lower. It's essential to readdress that balance.

We also call attention to the teacher problem that the United States will begin to have in the 21st century. I would say we're now in the vanguard of that problem as well.

We estimate that we need more than 20 percent of all the graduating students from American colleges and universities to replace the cohort of teachers that will begin to retire through the rest of the 20th century.

The current rate of application in the teacher education programs is below ten percent, and every thought must be given in this reauthorization to address that problem if we're going to address the problems of education in the 21st century, those problems are now.

We've made some proposals for assistance respecting teacher development in two areas:

One, new proposals to recruit new teachers, and I call your atention to our proposals for teacher corps, veteran teacher corps nd the career teacher corps ladders in the legislation that we have proposed, and we've also made some recommendations with respect to current teachers and the improvement of their practices and their profession.

It's essential that this Higher Education Act get the kind of review this committee is preparing to give it, and it's essential that the committee consider in the reauthorization. We're dealing not now with the problems of the 20th century; we're dealing with the beginning of a better education system in the 21st century.

[The prepared statement of Irwin H. Polishook follows:]

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ALBERT SHANKER
President

TESTIMONY OF

IRWIN H. POLISHOOK, PRESIDENT

PROFESSIONAL STAFF CONGRESS/CUNY
AND
PROFESSOR OF HISTORY, LEHMAN COLLEGE

REPRESENTING THE

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

ON THE

REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

NEW YORK, NEW YORK

JUNE 24, 1991

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Madam Chairman and Members of the Committee:

On behalf of the members of the Professional Staff Congress of City University of New York, New York State United Teachers and the American Federation of Teachers, I want to thank you for this opportunity to state our views on the reauthorization of the Higher Education Act of 1965. I also want to express our appreciation to the Chairman for holding one of the national field hearings on this important legislation in New York City.

The State of New York has a vital and urgent interest in this legislation. As the Chairman and members of this committee know, our colleges and universities have been wracked by a decade-long withdrawal of federal support for higher education. As a result, New York State has been forced to further contract both the access and the excellence of the State University, the City University and our community college systems. And New York City, like many other municipalities throughout the state, has applied its own stringencies to the City University, its 200,000 students and 15,000-member instructional staff. This reduction of public support for students who depend on public higher education as their only means of self-fulfillment, social mobility and productive citizenship is replicated in every region of the country. It cries out for the resumption of federal responsibility that can be effected through the Higher Education Act.

The AFT has taken an active role in the reauthorization of the Higher Education Act and has submitted to this Committee a 100-page document outlining its legislative proposals. Our recommendations address four priority areas:

I. Righting the imbalance between grants and loans. Our proposals re-establish Pell grants as the foundation of access to a college education. The AFT recommendations raise the maximum grant to $4,000. We also propose changing the award formula to support more completely the direct education expenses of students at public community and four-year colleges.

II. Ensuring equitable aid to nontraditional students. Our proposals restore and sharpen aid to less than half-time students in Pell Grants and other programs; bolster financial aid officer discretion; assure a fair accounting of dependent care expenses; and allow for easier use of student aid in conjunction with other federal support programs.

III. Protecting students against trade school fraud and abuse. The AFT proposals strengthen the oversight activities of the federal government, state governments and voluntary accrediting agencies.

IV. Strengthening Teacher Professional Development Programs. Our proposals create new programs to recruit teachers into shortage areas, establish a new Teacher Corps, Veterans Teacher Corps and Career Ladder Teacher Corps, and create two new programs - Professional Practice Schools and Professional Development Grants to Reforming Districts - to advance professional development and school reform.

GOAL I. RIGHTING THE IMBALANCE BETWEEN GRANTS AND LOANS

Almost everyone recognizes that the three-tier structure of federal student aid programs erected in 1972 has not performed as intended. The Pell Grant was intended to provide a basic level of access to a public college for the lowest income students. The campus-based programs (SEOG, Work-Study and National Direct Loans) were to provide an extra margin of support to needy students and allow an element of choice among types of institutions. The Guaranteed Student Loan was intended to provide middle-class individuals with enough money to attend a relatively high cost college.

This ideal, never fully realized in the 1970's, was distorted beyond recognition in the 1980's. Pell Grant appropriations rose, but most of the increase went to support a large clientele attending proprietary schools and, as a result, the maximum Pell Grant was never able to keep pace with rising college costs.

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Federal grants used to receive about three times as much funding as federal loans; now, however, the proportions are nearly reversed. The result, predictably, is that too many students are defaulting on loans they should not have been compelled to seek in the first place. This problem is especially severe for students at proprietary schools, who are often saddled with large loans to meet high trade school tuitions and then face modest to nonexistent job prospects in their chosen fields.

As a result, there is much talk about "righting the balance" between grants and loans and assuring that a greater proportion of aid, at least the aid that reaches low-income students, comes in the form of grants.

PELL GRANTS

The AFT has recommended that the maximum Pell Grant be set at $4,000, an increase from the current level of $2,400. The AFT bases its $4,000 grant on a formula that provides for a $2,500 education cost allowance plus up to $1,500 in tuition, minus the expected family contribution. We have also called for a yearly adjustment based on the Consumer Price Index, thus inserting a level of predictability in the grantmaking process and establishing federal expectations about reasonable levels of cost increases.

The rationale of the proposal is clear and simple. This Pell Grant, by providing basic access for a commuter student at a public college, would realise the original intent of the program. The $2,500 educational costs allowance is based on the average cost of books, transportation and board for a commuter student at a state college, now $2,558. The $1,500 tuition allowance is based on the average tuition cost at a public college in the current academic year.

Most alternatives now under consideration do not provide full access to an education for all students and require complicated formulas that result in only a percentage of the tuition being covered. The AFT proposal states plainly that the first priority is to provide genuine access to an education at a municipal, county or state institution. The private university student would not get one penny less under this proposal, which would thus benefit both public and private college students.

Expanding Grant Aid to Middle Income Students

The AFT has addressed the issue of ensuring that middle income students have greater access to grants by proposing that Pell Grant eligibility be expanded to families with incomes up to $43,000, as opposed to the income cap of $35,000 that currently exists.

This increase would restore the effect of the Middle Income Student Assistance Act of 1978, with income adjusted to inflation. That legislation was, regretfully, gutted at the outset of the Reagan administration. The AFT does not support the Administration's proposal of "targeting" grants to students with family income levels below $10,000. Under the Administration's plan, both low and middle income students would have their grants significantly reduced or eliminated.

GOAL II. ENSURING EQUITABLE AID TO NONTRADITIONAL STUDENTS.

Aid To Less Than Half-time Students

The AFT supports retention of the Pell Grant provision that provides aid to less than half-time students. This provision assures that students in the greatest categories of need can receive support for a portion of their college attendance costs if circumstances make it impossible for them to attend on a more than half-time basis and they are making satisfactory progress.

More than 40% of the four-year college-going population is now above the age of 24, and the average age of community college attendees is about 30. The financial need exhibited by these older students is comparable to — if not greater than — that of 18-24 year old students. Yet, prior to 1986, the Higher Education Act provided little or no support to these students. Needs analysis formulas favored dependent students, and part-time students were often disqualified for aid entirely. In 1986, the law extended eligibility to less than half-time students, but only to those in the neediest aid categories and only to cover direct educational expenses. The law went into effect in 1988. By 1989, citing budgetary concerns, the FY 90 appropriation had been suspended and it was suspended again in FY 91.

In today's recession, more and more students will have to work to sustain themselves and their families and to attend school on a less than half-time basis. Retaining the "aid to less than half-time students" provision is a low-cost means of assuring that students with the greatest need will be able to continue their education.

Ensuring Campus-Based Aid to Part-time Students. The 1986 reauthorization called upon colleges to provide a "reasonable proportion" of their campus-based aid to part-time students if the college had applied for federal aid partly on the basis of the need exhibited by those students. Federal regulations have, in effect, negated the "reasonable proportion" rule and released schools from having to fulfill this obligation, resulting in only a fraction of aid going to these students. The AFT proposal gives concrete definition to the phrase "reasonable proportion" by adding a numerical requirement. If the total financial

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needs of students attending the institution less than full-time equal or exceed 5% of the institution's federal aid allotment, then an amount equal to at least half of that percentage must be made available to such students. For example, if 20% of the students at an institution attend less than full-time, the institution must allot 10% of its campus-based aid to part-time students.

Assessing the Financial Needs of Nontraditional Students. Independent students, those who are 24 years of age and independent of their parents, should not be expected to contribute a prohibitive portion of their earnings to their education. The AFT has proposed three advances in the area of the needs analysis system.

(1) *Financial Aid Officer Discretion*. Under the AFT proposal, financial aid administrators have explicit discretion to use an "estimated year income" basis to assess the financial need of aid applicants who are likely to experience a pronounced reduction in their income at the time of enrollment. The current yardstick of "base year income" is a poor predictor of financial capacity for adult students, who may be displaced workers or homemakers, or individuals whose income is likely to be reduced significantly by college attendance.

(2) *Welfare and Food Stamp Conformance*. The AFT proposal would change the legislation so that federal student aid is not counted as personal income, in whole or in part, in determining an individual's eligibility for food stamps or welfare. Currently, student aid not directly attributable to tuition and fees is counted against eligibility for food stamps and welfare programs. Student aid is not welfare and the portion of the student aid attributed to "living costs" should be considered a contribution to education-related costs. Beneficiaries of

these programs should not be put in the position of choosing between getting an education and feeding their families.

(3) Dependent Care. Under the AFT proposal, the costs of caring for children or other dependents shall be considered, along with other factors such as income, assets, number of family members and medical expenses, in determining the family's ability to contribute to college costs. A cap of $3,000 for dependent care would conform with recent average yearly child care costs. Currently, Pell Grant applicants are permitted to count only up to $1,000 toward child care expenses. Because grants are limited to 60% of the costs of attendance, this allowance rarely serves to increase grants.

GOAL III. PROTECTING STUDENTS AGAINST TRADE SCHOOL FRAUD AND ABUSE

The student loan default problem stems largely from short-term, narrow, job-based training programs that charge students too much and give them far less training than they need to succeed in their trades, generally low-paying service jobs. By 1989, the default rate for proprietary school students was about 40% compared to about 20% for two-year colleges and about 9% for four-year colleges. Congressional leaders have indicated their opposition to the creation of a separate federal program to support short-term training as opposed to traditional higher education.

The AFT has concentrated on the development of proposals to strengthen the "triad" of entities that oversee proprietary schools: the U.S. Department of Education, the states, and the private accrediting agencies.

Federal Responsibilities. The AFT proposal mandates greater federal oversight of institutions in the proper management of federal student financial assistance programs. The Secretary of the U.S. Department of

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Education would assume primary responsibility for assuring the administrative and financial integrity of institutions participating in federal aid programs and for guaranteeing that aid recipients receive fair financial treatment from participating institutions. The Secretary would be required to collect from all postsecondary institutions detailed information on revenues, expenditures and profits for publication and inclusion in national data systems. The Secretary would also be given explicit authority to implement differential eligibility requirements in particular circumstances.

State Licensure. The Secretary of the U.S. Department of Education would be authorized, in consultation with the states, to develop appropriate standards for the improvement of state law and policy with respect to determining the integrity of postsecondary institutions. The states would be responsible for licensure and for developing criteria for licensing institutions based on federal guidelines. The states would be responsible for assuring: (1) that a proprietary school's program meets actual employment needs in the state and that the course of study relates to those employment needs and to state licensure requirement in the field; (2) that a proprietary school's program demonstrates an adequate placement and licensure rate; and (3) that adequate information is provided to students of proristary schools about educational costs, student aid, withdrawal rates and job opportunities.

Accrediting Agencies. Under the AFT proposal, no accrediting agency may be approved by the Secretary of the U.S. Department of Education unless the agency meets the standards established by the Secretary. The provision strengthens oversight of accrediting agencies and reaffirms the role of these agencies in assessing the academic quality of colleges and career schools.

Ability to Benefit. The AFT proposal requires that ability-to-benefit recipients receive independent testing prior to enrollment and receive a high school equivalency certificate within a year of entering a postsecondary education program. It requires that high school equivalency training be provided to them and that their progress be monitored. It provides that aid will be withheld after one year if a high school equivalency has not been achieved, or, in the case of programs lasting one year or less, that the degree or certificate not be issued prior to the awarding of a high school equivalency certificate.

GOAL IV. STRENGTHENING TEACHER PROFESSIONAL DEVELOPMENT PROGRAMS

The AFT has been the leader in highlighting the implications of the national teacher shortage that is nearly upon us. Title V of the Higher Education Act is the government's major vehicle addressing the need to recruit new teachers and to create an atmosphere in which higher education institutions and schools can work together to enhance quality teaching and promote school reform.

The AFT proposal reorganizes Title V and sharpens its focus on two overriding themes: (1) educator recruitment; and (2) professional development. In the area of recruitment, the proposal calls for the continuation of existing programs and for the initiation of three new Teacher Corps programs. In the area of professional development, new programs are authorized to initiate special professional practice schools and enable educators to meet the demands of school reform.

TEACHER RECRUITMENT

Paul Douglas Scholarship Program. This program, which the AFT was instrumental in establishing, provides scholarships to top-ranked high school students who agree to serve as teachers two years for every year of aid. The AFT continues its support of the Paul Douglas program and proposes expanding the program eligibility to include college students with a B-average or better who want to transfer into a pre-teaching track.

Teacher Corps. The AFT proposes a new Teacher Corps aimed at training highly qualified teachers willing and equipped to teach in schools serving high concentrations of low-income families. The program would authorize student scholarships and project support for local school districts operating in collaboration with institutions of higher education. Grants would be divided among the states based on their Chapter 1 populations and, within the states, three-fourths of the funds would be targeted to districts with over 50% Chapter 1 populations. Project activities would include: (1) offering scholarships and/or loans to students agreeing to serve in target areas; (2) offering project support to institutions with a state-approved teacher education program that designs creative training, induction and mentoring programs in cooperation with school districts, including community colleges which enter into articulation agreements with four-year institutions; and (3) supporting programs that encourage teachers in non-target areas to work in target areas and to help teachers in target areas work more effectively.

Veterans Teacher Corps. The AFT proposal establishes a new categorical grant program that enables school districts to inform United States military veterans, including Persian Gulf veterans, of teaching opportunities and to employ them in school districts as teachers.

Grants would be used to support: (1) the planning and implementation of informational and outreach programs designed to complement G.I.

benefits, to inform military veterans about teaching opportunities and the qualifications necessary for teaching; (2) scholarships and loans to veterans to assist them in meeting the qualifications to become teachers; and (3) support for programs to assist veterans in becoming teachers.

Career Ladders Teacher Corps. The AFT proposal establishes a new categorical grant program that enables school districts to identify promising paraprofessionals, offer them scholarships and supportive services, and agree to employ them as teachers following the completion of their education.

Participating districts would have to assure: (1) appropriate access to courses (such as release time, classes at work site or sabbaticals); (2) articulation agreements between community colleges and universities; and (3) an appropriate amount of academic credit for job-related experience, consistent with state licensing standards. Paraprofessionals who enter and complete this program will agree to work in the school district for at least five years upon the completion of training as a teacher.

PROFESSIONAL DEVELOPMENT

Christa McAuliffe Fellowships. The AFT continues its support of this program which awards fellowships to outstanding teachers so they may engage in sabbaticals for research, pursuit of further education or other educational improvement activities.

Professional Practice Schools. The AFT has proposed an innovative new program that establishes a network of professional practice schools which serve as training centers for new and experienced teachers; as laboratories for testing new techniques of teaching and organizing schools; and as generators and repositories of educational research.

Operated in a collegial framework and cooperatively governed by the local school district, a university (or consortium of universities) and school professional groups, Professional Practice Schools integrate educational theory and practice and function in ways similar to teaching hospitals.

Grants under this program would be divided among the states based on their Chapter 1 populations and, within states, three-fourths of the funds would be targeted to districts with at least 50% Chapter 1 populations.

Professional Development Grants to Reforming Districts. The AFT proposal establishes a new program that enables school districts to meet national education goals by implementing top-to-bottom reforms in school organization and in professional staff development.

Grants under this program would be distributed among the states with a high Chapter 1 population and to high Chapter 1 districts that agree to become "reforming districts."

Reforming districts are those that can demonstrate that they have created district-level mechanisms promoting school-wide change, coupled with comprehensive staff development plans. Districts must demonstrate that: (1) the reform policies are targeted to the objectives of the national goals; (2) they have established partnerships that include teachers, professional associations, higher education institutions and administrators; and, (3) staff will receive time subsidies for their participation in professional development activities. Some of the activities permitted under this grant would include professional training (administrator, teacher and paraprofessional), experiments with technological innovations in the classroom, staff training and support activities focused on math, science and literacy, and engagement of federally funded research labs and centers in a consultative and supportive role.

CONCLUSION

The reauthorization of the Higher Education Act of 1965 may be the most important education issue addressed in the 102nd Congress. We believe the proposals outlined in this testimony will significantly strengthen this legislation. By restructuring the Pell Grant, we would reverse the imbalance between loans and grants, greatly increasing access to higher education and, for the first time, assure access to local community and state colleges and universities. By revamping the financial needs analysis system for adult students and by reviving aid to students attending less than half-time, we would assure that needy and working adults with the ability and motivation to get a college education are given a fair break.

By strengthening the regulation of for-profit trade schools and requiring that ability-to-benefit students receive high school equivalency training, we would create, in effect, a consumer bill of rights for students in short-term training programs. By greatly enhancing support for the training of elementary and secondary school teachers and college faculty, we would go a long way toward reversing the catastrophic teacher shortages expected to hit all levels of education during this decade.

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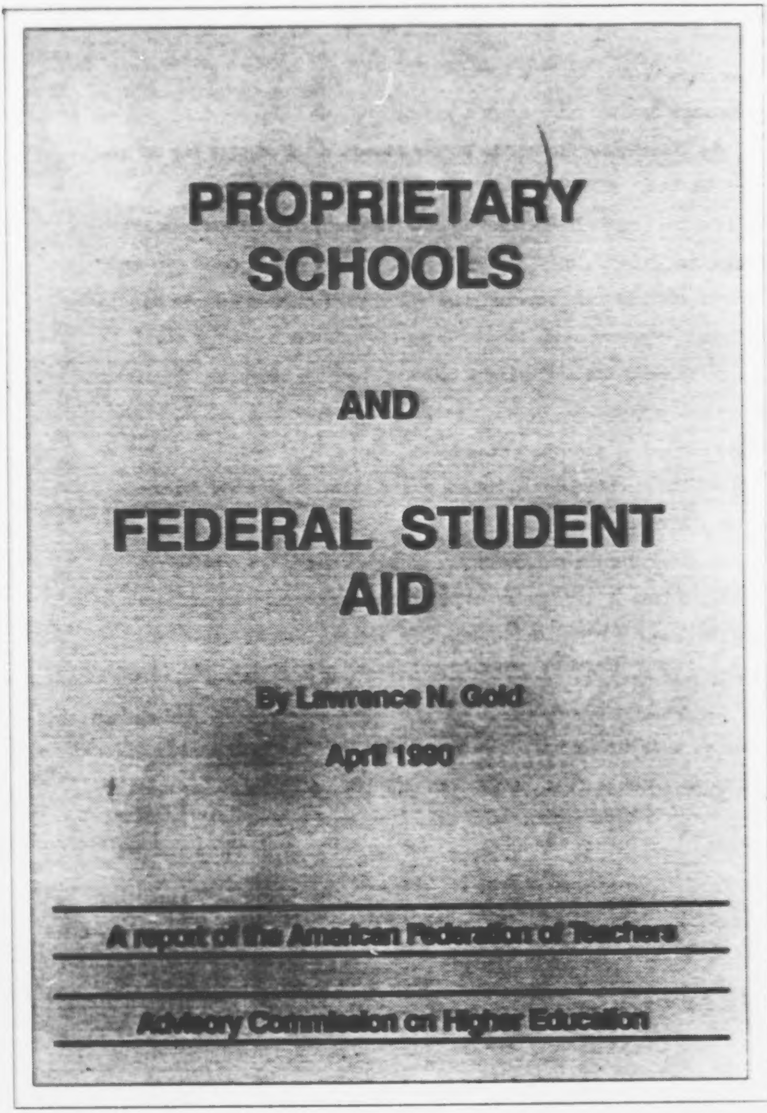

PROPRIETARY SCHOOLS

AND

FEDERAL STUDENT AID

By Lawrence N. Gold

April 1990

A report of the American Federation of Teachers

Advisory Commission on Higher Education

2

Introduction

The American ideal of diversity in postsecondary education has long tolerated the peaceful if uneasy coexistence in its universe of for-profit trade schools. These schools do not profess to be institutions of higher education. Their omission of liberal studies, which are widely considered the *sine qua non* of higher learning, is both their weakness and their strength. Without such substance, the proprietary institutions may not afford their students the personal and intellectual empowerment that is the greatest benefit of college attendance. By the same token, a trade-school curriculum allows the vocational schools to offer a narrow and relatively fast track toward skilled employment. They may thus open an avenue of additional opportunity to those who will not or cannot be served by our colleges and universities.

Today, however, the proliferation of trade schools, their practices and their consumption of federal student aid have called into question their place in the postsecondary firmament.

There are now over 4,000 proprietary schools in the United States, more than the number of colleges. Their enrollment grew 13 percent in the 1980s while collegiate enrollment grew less than one percent. Between 1980 and 1987, Pell Grants to students at proprietary schools increased from $275 million to more than $1 billion – 273 percent, compared with a 30 percent rise in the collegiate sector. Between 1987 and 1989, more than half the loans made under the new Supplemental Loans for Students program went to trade school students.

The growth of trade school enrollment and the mushrooming of their share of federal student aid are not unrelated. Nor would the latter be worrisome if it simply reflected their greater capacity to educate low-income students. The problem, however, is that recruiting, educational and financial practices at these schools have raised serious questions about the real value of their programs for the students they attract and about their impact on the rest of postsecondary education.

The most publicized manifestation of trade school irregularities is their share of the skyrocketing default rates in Guaranteed Student Loans. The default rate for proprietary schools has been close to 40 percent, about double the percentage for two-year colleges and more than four times the rate for four-year colleges. Other abuses have come to light – misrepresentation and deceptive advertising, recruitment of students from unemployment lines, insupportable guarantees of financial aid and employment, inadequacies of physical and staff resources, the absence of adequate standards of academic progress, and widespread failure to enforce whatever standards are in place.

The results of these abuses are not a private matter. Surely, not every trade school should be condemned for the academic corruption that obtains at some institutions. But large numbers of students appear to be shortchanged – they do not get what they pay for, they drop out, and they do not find jobs in their chosen fields. Furthermore, the schools' abuses have compromised public support for all postsecondary student aid programs.

Because the ramifications of trade schools' *modus operandi* affect all of American postsecondary education, their full dimensions must be understood. For this purpose, the American Federation of Teachers commissioned the study that follows.

It is issued at a crucial time. The nation is focused as never before on the quality and availability of postsecondary education. Many are concerned over the accessibility of quality education to members of minority groups and the apparent "tracking" of such students to less rewarding programs and occupations. Others question the adequacy and distribution of the $10-billion system of federal student aid. The legislative and executive branches are currently scrutinizing that system in preparation for the coming reauthorization of the Higher Education Act.

Deliberations on all those issues and their resolution in public policy should be informed by a thorough understanding of the roles and practices of for-profit trade schools. We hope that the following report makes a contribution to that end.

Dr. Irwin Polishook, President
Professional Staff Congress, City
University of New York; Chairman,
AFT Advisory Commission on Higher Education

BACKGROUND

PROPRIETARY SCHOOL CHARACTERISTICS

Under the terms of the higher education act, a proprietary school is one that is privately owned and managed for profit providing education and training for students after high school (although students need not have graduated from high school to attend). There are about 300 proprietary junior colleges, but most proprietary schools offer training for a particular set of skills and are thus often called trade schools. The average proprietary school tuition, according to the National Center for Education Statistics, was about $4,400 to $4,600 in 1986-87.

There are now over 4,000 proprietary schools in America, more than the number of colleges. Of these, about 75 are accredited correspondence schools, and most of the rest have classroom programs. Since 1980, proprietary school enrollment has been growing at an annual rate of 13 percent. This compares to less than a one percent increase for college enrollment. Proprietary schools enroll about 1.8 million students, about 15 percent of the total postsecondary student population. The growth in proprietary schools can be attributed to two factors. First is the decline in the practice of apprenticeship and the increased reliance on formal credentialing in the trades. Second is the availability of federal student aid to support proprietary school education.

Proprietary schools offer courses lasting from a few months to two years in length, usually providing entry-level skills in fields as varied as business (including secretarial and computer professions), allied health, cosmetology (about 1,800 accredited schools), truck driving, auto and electrical repair, and even such jobs as mail room clerks, security guards, cashiers, chauffeurs, manicurists, bartenders and nannies. Most of these courses qualify for federal student aid on the same basis as traditional college offerings. Many trade school programs offer degrees or certificates aimed at meeting specific entry-level state licensing or trade requirements.

The average proprietary school enrollment is 378. A little more than half the students are under 24 years old; about a quarter are over 30. About 60 percent of the students are white, 21 percent black and 14 percent Hispanic. Proprietary schools educate a higher proportion of women (78 percent) than any other postsecondary sector. According to the industry, about 47 percent of private career school students have incomes of less that $11,000, while only 26 percent have incomes greater than $23,000. Proprietary school representatives repeatedly point to their record of admitting low-income students and minorities as a way to justify the share of federal student aid monies they receive.

HISTORY OF PROPRIETARY SCHOOL PARTICIPATION IN FEDERAL AID PROGRAMS

G.I. Bill: Proprietary schools have been eligible to participate in federal programs ever since the GI Bill was enacted in 1944. In fact, in the early years of the GI Bill, nearly twice as many veterans chose vocational education and training over college, and, as a result, the number of proprietary schools rose markedly.

Early on, several studies and congressional hearings identified concerns over the practices of "fly-by-night" schools. In 1950, amendments were put into effect that banned the use of benefits for avocational or recreational courses; allowed the Veterans Administration to disapprove benefits to schools in existence less than one year; that set stricter criteria for schools where few students paid their own tuition; and eliminated benefits for "dying" trades or for programs where existing training was found to be adequate to demand.

National Vocational Student Loan Insurance Act: In 1965, the Johnson administration recommended that proprietary school students, along with college students, be made eligible for a new, low-interest, federally insured loan. Apparently concerned about problems with proprietary schools under the GI Bill, however, Congress in 1965 chose to separate proprietary schools from the Guaranteed Student Loan program and established a separate National Vocational Student Loan Insurance program.

The Higher Education Amendments of 1968: These amendments merged the National Vocational Student Loan program with the Guaranteed Student Loan program because, according to congressional committee reports, "the present two acts have resulted in parallel paperwork and duplicative efforts."

The Education Amendments of 1972: The Education Amendments of 1972 extended eligibility for proprietary schools to all higher education student aid programs, including the new Basic Educational Opportunity Grant program, now called Pell Grants.

Middle-Income Assistance Act (1978): This act included an unprecedented provision allowing trade schools to admit non-high school graduates whom they adjudged to have "ability to benefit from the training offered" by their educational program. Prior to that, colleges, but not trade schools, could admit "ability-to-benefit" students under open admissions plans.

1986 Higher Education Amendments: The 1986 higher education amendments sought to clarify and limit "ability-to-benefit" practices by requiring that "ability-to-benefit" students either: (1) be counselled by the school and complete a remedial education program or (2) pass a "nationally recognized, standardized or industry-developed test," subject to criteria developed by private accrediting associations recognized by the U.S. Education Department. It must be noted, however, that, under this definition, institutions remain free to select the specific test *and* the passing score and that the test need not be produced by the accrediting agency.

OVERSIGHT AGENCIES

To operate and receive vital federal funding, proprietary schools must be evaluated by three separate agencies.

1. Proprietary schools must be licensed by the state in which they operate. The state is the primary regulator of sound business practices and education. The methods the states use to regulate proprietary schools vary widely. In some, the governor appoints members to a special board that oversees the schools, which frequently include owners of the schools as well as state education officials. In other states, proprietary schools are monitored by a division of the state higher education coordinating board or its department of education. In still others, regulation is at the discretion of accrediting organizations.

2. Proprietary schools must also be accredited for their educational programs by a private accrediting agency recognized by the U.S. Secretary of Education. The four main accreditation bodies for proprietary schools are the Association of Independent Colleges and Schools (AICS); the National Association of Trade and Technical Schools (NATTS); the National Accrediting Commission of Cosmetology Arts and Sciences (NACCAS); and the National Home Study Council (NHSC).

3. Finally, to receive federal dollars, proprietary schools must be reviewed and approved by the Office of Postsecondary Education of the U.S. Education Department. The Department primarily examines financial records and student aid administrative procedures.

PROPRIETARY SCHOOLS AND THE FEDERAL STUDENT AID PROGRAMS

Because proprietary schools depend almost entirely on tuitions to make a profit and because they enroll such large numbers of low-income students, student financial aid from federal and state sources is their lifeblood. Proprietary school students are eligible for each form of federal student aid; they are also eligible for state student aid in 30 states. As a result, in 1986-87:

- about 84 percent of private career school students received some form of government student aid, compared to 45.5 percent of postsecondary students generally;
- about 70 percent of proprietary school students received federal student aid as compared to 34 percent of all postsecondary students;
- the total federal financial aid for full-time students at private career schools was about $3,630, compared to $2,973 for all postsecondary students and even more than the $3,525 available to students at private colleges; and
- about 56 percent of proprietary school students received a grant, compared to 25 percent of all postsecondary students, and about 70 percent received a federal loan as compared to 23 percent generally.

The most pronounced trend in federal student aid in the 1980s was the staggering increase of monies going to the proprietary sector. In general terms, about 40 cents of every new federal grant dollar today will go to proprietary school students, while the proportion of loan dollars going to vocational students has quadrupled since the mid-1970s. Some of the individual program figures are just as striking.

Pell Grants: The Pell Grant program provides basic grants (up to $2,300 depending on financial need) to the neediest students in postsecondary education.

Between 1980 and 1987, Pell Grants to students at proprietary schools skyrocketed from $275 million to more than $1 billion, or an increase of 273 percent (compared to a 30 percent rise in the collegiate sector). The percent of Pell Grant money allotted proprietary schools is now over 25 percent, more than that allotted independent colleges (19.5 percent) and public two-year colleges (19.9 percent).

Between 1980 and 1987, the number of Pell Grant recipients rose 159 percent in the proprietary sector and declined 13 percent in the collegiate sector. During this period, the number of recipients declined at 4- to 5-year programs and rose dramatically at the one-year and six-month programs in which proprietary schools specialize.

TOTAL CHANGE 1980-87	
4-5 year programs	- 229,000
2-year programs	+ 65,000
1-year programs	+ 153,000
6-month programs	+ 173,000

The number of collegiate institutions participating in the Pell Grant program was relatively constant between 1980 and 1987: 3,760 in 1980 up to 3,840 in 1987. The number of proprietary institutions in the Pell Grant program increased during this same period from 2,133 to 3,042.

Campus-Based Aid: The federal government operates three programs that distribute aid to schools based on their proportion of needy students. These programs depend on professional financial aid officers at the schools to see that the money reaches the right students. One of these campus-based programs provides grants (Supplemental Educational Opportunity Grants or SEOG); one provides loans (National Direct Student Loans or NDSL); and one provides jobs (the College Work-Study program).

Because participation in these programs requires an institutional contribution, proprietary schools generally have not been major participants. Even in these programs however, increases in proprietary school participation is notable. For example, while SEOGs increased between 8.8 percent and 20.5 percent in the collegiate sector from 1980 to 1987, proprietary school SEOGs rose over 60 percent during the same period. While work-study rose between 7 percent and 13.4 percent at four-year colleges during the same period, work-study funding rose 260 percent in the proprietary sector. Only in the Perkins Loan program did proprietary schools suffer losses (29 percent) comparable to the collegiate sector (29 to 44 percent).

Stafford Loans: Under the Guaranteed Student Loan program, now called Stafford Loans, about 13,000 lenders nationwide make low-interest loans (8 to 10 percent) to about 3.5 million students attending colleges and proprietary schools. Since 1986, students who wish to participate in the program must first meet a needs test. The federal government guarantees the loans, pays the student's interest until six months after leaving school and pays to the lender a differential between the student's interest and market interest rates thereafter.

Unlike Pell Grants and the other student aid programs, the level of GSL benefits does not depend on annual appropriations; it is an an entitlement to those who meet the eligibility criteria.

The GSL program was originally intended to serve middle-class students at high-cost private colleges. That is how the program typically worked until the tight budgetary constraints of the 1980s, when eligibility for Pell Grants was restricted and Pell Grant purchasing power declined. GSL, however, remained a reliable source of $2,500 in loans to those who qualified.

As a result, low-income students at proprietary and low-cost colleges began turning to loans to finance a greater portion of their education. For example, while 31.5 percent of students relied on Pell Grants in 1978, only 19.9 percent received them in 1985. At the same time, the percentage of students receiving GSLs rose from 10.4 percent to 23.4 percent by 1985.

GSL loan volume in FY 79 was less than $3 billion; nearly a decade later, GSL loan volume was over $9 billion. At the same time, the proportion of Stafford Loans going to proprietary school students rose precipitously: between FY 1985 and FY 1987, the proportion jumped from 27 percent to 35 percent.

Supplemental Loans for Students: Created in 1986 when the Stafford Loan program became need based, the Supplemental Loans for Students (SLS) program provides loans of up to $4,000 to any student regardless of financial need. SLS loans are guaranteed by the federal government, although, unlike Stafford loans, the student interest rate is not subsidized. As soon as SLS was implemented, the program became a major source of revenue for proprietary schools. More than half of the $2 billion in new loans made each year went to students at proprietary schools, which produced over 80 percent of the program's fast-growing default rate.

PROBLEMS AT PROPRIETARY SCHOOLS

Starting in the mid-1980's, proprietary schools increasingly began to be cited as a major "problem" by federal and state agencies. This was precipitated in large part by a dramatic rise in federal loan defaults, especially at proprietary schools, and a drumbeat of bad press about sharp financial dealings and poor educational quality in the trade school industry.

THE GUARANTEED LOAN DEFAULT SITUATION

Between 1981 and 1989, Stafford Loan default costs skyrocketed from $235 million to $1.8 billion. Almost 37 percent of the money spent on the student loan program in 1989 went to cover defaulted loans. So great were default costs that then Education Secretary Bennett contended that, in 1987, paying off defaulted loans was the third-largest expenditure in the entire U.S. Education Department budget.

The default rate for proprietary schools, according to the Education Department, has been about 40 percent. This compares to about 20 percent for two-year colleges and about 9 percent for four-year colleges. Although proprietary schools maintain that their default rates are merely a reflection of their low-income, minority clientele, default rates at proprietary schools have been higher even when income is held constant. Looking at default rates based on family income:

	PROPRIETARY	TWO-YEAR	FOUR YEAR
$0-$5,000	52.9%	32.1%	15.1%
$5,000-10,000	41.4%	22.6%	13.2%
$10,000-15,000	34.3%	17.2%	10.8%
$15,000-29,000	28.5%	13.9%	8.7%

In 1987, Education Secretary Bennett received great national publicity by recommending sanctions against all institutions with default rates above 20 percent, singling out proprietary schools for special criticism. He even went so far as to say that 40 percent of the nation's private proprietary schools "cheat" their students. Proposing modified regulations in 1989, Education Secretary Cavasos noted that 164 of the 188 schools with the highest default rates were proprietary schools, including all of the top-ten defaulters. And a recent study in California found that almost three out of four of the schools with default rates of 20 percent or more were private proprietary schools.

THE PRACTICES BEHIND THE PROBLEMS

As loan defaults began to hit the front page, it became clear that, in general, defaults were not a problem for satisfied graduates of reputable schools earning a decent living. But defaults were most assuredly a problem for people who did *not* complete school (especially those who left very early), for those who did *not* find good jobs and for those who were not satisfied with their education. A disproportionate number of these students seemed to come from proprietary schools.

More and more observers came to believe that the for-profit nature of proprietary education led too many schools to recruit unqualified students, to charge them too much and to give them far less than they needed to succeed in their chosen occupations. Horror stories began to appear in the press about proprietary school practices and about inadequate supervision by the agencies charged with regulating proprietary school behavior. The schools came under particular criticism for their *recruitment practices*, their *educational practices* and their *financial practices*.

RECRUITMENT PRACTICES

Driven by the need to maximize profits, proprietary schools have been criticised for using shady advertising techniques and employing commissioned recruiters to lure unqualified students with false promises.

In 1984, a General Accounting Office study found that 66 percent of the proprietary schools in its sample misrepresented themselves to varying degrees, with 34 percent using misleading advertising. In 1988, a report prepared for the U.S. Education Department by Pelavin Associates found that many problems were "common," including recruiting students from unemployment lines, improperly guaranteeing financial aid and employment, and deceptive advertising practices such as presenting the school's training program in the employment section of the newspaper giving the appearance of offering a job.

At the same time, newspapers began to print exposes of commissioned recruiters accosting people as they headed into welfare offices and bussing them to proprietary offices, making inflated promises about the nature and value of their training, signing them up for government loans without the students properly understanding their obligations, and receiving a commission as much as $500 for each person they sign up.

Most of all, proprietary schools have been criticized for recruiting students who are not really prepared for training. The schools are accused of giving students inadequate tests and counselling before admission and then providing them with little or no remediation after admission.

At the Memphis School of Commerce, for example, the Education Department Inspector General found that more than half of the 2,370 students reviewed had not properly passed the required entrance test and that school staff helped students on the test and counted incorrect answers as correct. While the audit found that the school had a job-placement rate of only 13 percent, admissions staff members were instructed to tell students that 90 percent of their graduates were placed in jobs.

At a New York State Assembly hearing last year, Angelo Aponte, Commissioner of New York City's Consumer Affairs Department, told of Spanish-speaking students recruited for computer courses taught in English. A vocational counselor at a shelter for mentally retarded adults reported that trade schools were luring her impaired clients with promises of good jobs. People with IQs of 64 and 65 were told they had passed qualifying tests for business schools and travel agent courses. "None of our mentally retarded clients ever reported that they'd failed the admissions test," the counselor said.

In a report on trade school practices toward New York City welfare recipients prepared by INTERFACE, most of the schools studied were found to admit students on the basis of their ability to secure financial aid rather than their ability to complete the course of study. The report also found that fewer than one in four of the students found work in the field for which they had enrolled, and nearly all regretted having attended the schools.

Particular attention has been focused on the practice of recruiting non-high school graduates. Proprietary school data indicate that 9.38 percent of their students had not completed any kind of high school certification at the time of admission; a 1984 GAO report found that 18 percent of its sample of proprietary school students receiving Pell Grants were "ability-to-benefit" students. The 1984 GAO study found that about 10 percent of the schools administering an ability-to-benefit test allowed students to retake entrance exams until they received passing scores, sometimes repeatedly on the same day. The study also found evidence that such students were more likely to drop out than students who passed the test the first time.

EDUCATIONAL PRACTICES

Because proprietary schools need to maximize revenues and minimize expenses, they are often accused of not providing the physical plant, equipment or staff needed for a quality trade education. Newspaper reports document incidents in which students use outdated equipment, wait in line for a turn at the computers or rely on a fellow student's car breaking down in automotive class to have something to work on.

A Missouri newspaper report in 1988 showed wide variation in quality of proprietary school instruction. Many schools have large staff turnover, and, as a result, quality can improve or worsen rapidly, according to the assistant commissioner of the Missouri Department of Higher Education. At schools in the St. Louis area, teachers were mainly part-timers paid hourly wages that ranged between $5 and $7. The degrees held by proprietary school teachers also vary widely. The business school accrediting agency reported that it "generally" requires teachers at its schools to have either a college degree or two years of work experience in their teaching field, but standards are far from uniform.

The 1984 GAO study found that 11 percent of the proprietary schools in its sample had no written standards for academic progress, and 14 percent had inadequate standards. Of those schools with written standards, fully 83 percent did not consistently enforce them. This allowed many students to graduate without the proper skills to seek employment in their "field."

Two practices have come under particular attack: "rolling admissions" and "course stretching." Under the rolling admissions system there are no semesters – students can be admitted virtually at any time during a course; therefore, beginning and advanced students are mixed in the same class.

Course stretching is artificially making courses longer than they need to be in order to qualify for federal aid. Under the Pell Grant program, programs must be at least 600 hours long; under Stafford Loans, only 300 hours are required. For example, the Inspector General of the Education Department found that proprietary schools were requiring 300 to 700 hours in class for security guard programs although no state requires more than 60 hours of instruction to get a license. A 30-hour course that met Texas requirements was found to cost $100 at a local community college, while longer proprietary school programs cost between $2,500 and $3,800. Overall, the report found that profit-making schools are "more vulnerable to waste, fraud and abuse" than others.

A 1989 report by the Texas Guaranteed Student Loan Corporation targeted borrowing by students in 300 to 600 clock-hour programs as a special concern. In FY 87, the Texas corporation guaranteed $8.6 million in loans to students in short-term programs. In FY 88, the corporation guaranteed $92.2 million, an increase of more than 1,000 percent. Students attending these programs were found to have default rates of 48 percent, compared to 36 percent for all proprietary schools and 19 percent overall. And the debt burden incurred by these students "will often be too great for their low-paying jobs to finance," the report said.

POOR RETENTION AND PLACEMENT

The inevitable result of practices such as these, critics of the proprietary school industry maintain, is that too many people will drop out of school and that too few of those who do graduate will find employment in their chosen field. The litany of concerns is replete with examples such as this.

- A GAO report on the 1980-81 academic year found that more than half of the proprietary schools it studied admitted students who did not meet minimum requirements and that 74 percent of these students dropped out.

- The New York City Human Resources Administration in 1989 conducted a preliminary review of 169 welfare recipients who had attended proprietary schools. Almost 80 percent of them were still on welfare, and only 4 percent of the cases were closed because clients had become employed, even though they had been scheduled to complete their training in June 1988.

- A 1987 study by the *Hartford Courant* found that only about a third of the students who had taken out loans since January 1981 to attend the Wilfred Beauty Academy had become licensed hairdressers in Connecticut.

- A Colorado Springs newspaper in 1988 reported on a construction school for plumbers that charged $5,150 in tuition, which provided training only to the plumber's helper position paying $4.50 to $5 per hour and not the higher-paying apprentice positions. The article also reported a 27 percent placement rate, as opposed to 90 percent promised by paid recruiters.

- While New Jersey requires a GED for a cosmetologist's license, no such credential was required of the thousands of people who borrowed money to attend beauty schools in that state. It was found that the only jobs students could reliably get upon graduation were wash and prep jobs, for which, a New Jersey higher education official reported, "you don't need to go to school and get $2,500 in debt."

Proprietary school representatives vigorously dispute the retention and placement data of outside evaluators. The trade and technical schools association reports an overall retention rate of 74 percent and a placement rate of 73 percent at its institutions. Industry research concludes that, overall, trade school retention rates appear to be higher than community college retention rates, and the industry contends that low retention rates are more a function of a low-income, minority student body than improper educational practices. A researcher for the proprietary schools, reviewing a national survey of high school seniors from the class of 1980 and comparing their status six years later, found that 61 percent of the students who attended private career schools graduated, the same figure as for those who attended four-year institutions and 20 percent higher than community colleges. He found the career school placement rate to be 81 percent.

Placement rates are the subject of continuous dispute because there is no uniform method of measuring them. For example, the 1984 GAO study found that 46 percent of its proprietary school sample quoted job-placement rates higher than the records indicated because the schools included jobs students obtained outside the field of training or those only remotely related to training, as well as jobs obtained before training or part-time employment consisting of a few hours per week. In another study, schools achieved higher percentages by not counting graduates who were "not seeking employment," without an objective means of measuring that status.

FINANCIAL PRACTICES

High Tuitions: Because proprietary schools must make a profit on the tuition they charge and because such a large proportion of proprietary school students depend on federal aid to pay that tuition, it is often charged – though it has never been conclusively demonstrated – that proprietary schools charge too much in general and raise their tuition to accommodate increases in federal student aid.

It is difficult to confirm or deny these charges because the financial information submitted by proprietary schools to accrediting agencies and the federal government is not made public. An upcoming study reports, however, that in 1987-88, the average tuition for proprietary schools applying for campus-based aid was within $100 of the maximum Pell Grant and that total attendance costs reported by these schools was between $4,000 and $4,500, when the combined Pell Grant and Guaranteed Student Loan maximum was about $4,500.

Tuition Refund Policies: Less obscure is the concern that proprietary schools, while securing full payment from students up front, often have refund policies that do not permit students to recover much of their tuition if they drop out early. Neither the law nor accrediting agencies have required schools to provide refunds based pro rata on the number of classes attended. The general accrediting agency standard is to refund a declining percent of tuition that ranges from 90 percent during the first week of classes to 10 percent during the third quarter of the course, after which no refund is given.

Although accrediting agency standards are themselves favorable to the schools, the 1984 GAO report found that about 20 percent of the proprietary schools sampled had refund policies that not did meet these conditions, that about 40 percent under refunded monies at first, and that 40 percent were untimely in paying refunds. Again, horror stories began to appear in the press. For example, after two days at the Illinois School of Commerce in 1987, it was reported that a student assumed a loan on which she still owed $1,300. With refunds lower than they should be, and with new students continually replacing dropouts, schools lack a strong enough financial incentive to encourage retention, it is argued.

Other Practices: Two other practices that have caused concern are proprietary school branching and proprietary school closings. More and more proprietary schools are establishing branch campuses, sometimes far removed from the main campus, sometimes even in different states. A new school normally has to be in business two years to receive federal funds, but a branch campus can receive funding as soon as it is accredited, and that accreditation can be fairly automatic. The two largest accrediting agencies have written standards with regard to branches, but these often allow automatic accreditation after site visits. Branching among cosmetology schools has not generally been regulated.

On the other side of the coin, when a proprietary school closes or goes bankrupt, students are not automatically entitled to refunds. In fact, student tuitions can be used to pay back the creditors of a school in bankruptcy, while students are left having to pay back loans they incurred for education they never received. This happened not long ago at the Adelphi Business Schools in New York.

INADEQUATE REGULATION

Critics argue further that the triad of agencies created to regulate proprietary school activities – state licensing agencies, private accrediting agencies and the federal government – is not doing an adequate job.

State Licensing Agencies: State licensing agencies have been criticized for failing to employ adequate staff to monitor schools, for not seeking sufficient legal authority to prosecute shady operators and for relying too heavily on self-regulation by the proprietary schools. For example, in New York, 11 employees monitor 413 proprietary schools; in Ohio, four part-time consultants oversee 360 schools. Prompted by unfavorable press and from pressure by their own state loan guaranty agencies, many states are taking on greater responsibility in licensing. California, Texas and New York have been prominent in this regard.

Accrediting Agencies: As we have seen, both the federal government and state regulatory agencies rely heavily on proprietary school accrediting agencies to certify the educational quality of their members. However, these accrediting commissions may be, in effect, arms of the national proprietary school associations, and are run by proprietary school operators with proprietary school operators dominating most site review teams. It is not surprising, then, that critics see the process as insufficient.

The 1988 Pelavin Associates report found that current accreditation practices are flawed and that the process is being progressively weakened. Reasons: (1) an increasing number of institutions are opening branch campuses; (2) the threat of litigation by affected schools deters effective legal action; and (3) competition among agencies limits their incentive to enforce standards. Schools are permitted, in effect, to shop around for accreditation agencies, switching from one agency to another if they lose the credential or are unhappy with the degree of scrutiny.

Such criticisms are reinforced by press accounts of unethical standards. For example, a trucking school operator sued by the Education Department in 1988 for $366 million in fraudulent student aid claims was a member of the board of the National Home Study Council, the accrediting agency for correspondence schools. In another case, state auditors in West Virginia reported that the business school accrediting agency permitted Century College, part of a chain of schools, to maintain a bookkeeping system under which obligations did not appear on the schools' balance sheet.

Some proprietary school accrediting agencies counter that accreditation is a voluntary, collegial process aimed only at evaluating the educational efficacy of an institution and helping it improve its offerings. They contend that it is wrong for states and the federal government to impose the wrongheaded role of fraud and abuse policeman on an accrediting agency and then bash the agency for not fulfilling that role.

Accrediting agencies also maintain that they frequently take action against the same schools that the government is investigating but that confidentiality and due-process requirements prevent them from disclosing many of their activities. Proprietary school lobbyists maintain that each of the major accrediting commissions rejects roughly 10 percent of applicants annually, and court battles with rejected schools have become nearly constant.

The Federal Government: In the mid- and late-1980s, the Education Department came under heavy criticism for, on the one hand, decrying proprietary school abuses, and, on the other, weakening oversight authority. In 1981, the Department of Education conducted 1,058 program reviews and assessed fines and liabilities of $16.4 million. By 1987, these totals had plummeted to 372 program reviews and $2 million in recoveries. Where proprietary schools used to be evaluated every three to five years, an Education Department spokesperson in 1988 admitted that schools were being checked no more frequently than every six to eight years.

THE POLITICS OF PROPRIETARY SCHOOL REFORM

By 1987, as proprietary school defaults and educational practices received increasing publicity and as student aid monies dried up under budgetary restraints and high default costs, the proprietary school industry had cause for concern about stricter regulation or even removal from eligibility for higher education act student aid programs. These concerns were mitigated, however, by the continued support shown the schools.

A strong base of support was found in the education authorization committees on Capitol Hill that write higher education legislation. These committes had traditionally been very protective of trade school participation in the student aid programs and supportive of the utilitarian nature of proprietary school education, especially for low-income, underprepared, noncollege-bound students.

This support was strengthened by the advent of proprietary school political action committees, which contributed heavily to authorization committee members campaigns. In the last election, for example, proprietary school PACs and individuals contributed more than $160,000 to key members of Congress.

Proprietary school interests also benefitted from an uneasy marriage of convenience with elements of the higher education lobby, some of which joined the proprietary schools in fearing greater regulation of their internal policies (in areas like tuition refunds) and some of which feared greater federal scrutiny of defaults, retention and placement rates.

These sources of support, however, have weakened considerably since 1987, and the stage now seems to be set for serious discussion of proprietary school regulation in the next higher education act reauthorization process, which will be completed in 1992, as well as other legislation.

The Bennett Default Regulations: The first important salvo against proprietary practices was a 1987 proprosal by Education Secretary Bennett to impose sanctions, including removal from federal loan programs, to any school with a default rate above 20 percent. Bennett singled out proprietary schools for special criticism and, with his flair for publicity, newspaper articles sprang up across the country detailing proprietary school default rates and allegedly shady practices.

Bennett's plan received considerable attention in Congress, and parts of it were incorporated in a Senate bill. Because the Bennett plan would have devastated most colleges that serve a low-income clientele, however, it was ultimately withdrawn under an agreement with the House authorization committee. At the same time, it became clear that Bennett had put the proprietary school issue on the front burner and its advocates on the defensive.

State Action: As noted earlier, prompted by the federal initiative, newspaper exposes and their own loan guaranty agencies, state officials became increasingly active in seeking staff and legal authority to "go after" proprietary school abuses, and this process seems to be accelerating.

Associations' Turnaround: Convinced that the growth of proprietary school participation in federal aid programs and the attendant bad publicity would increasingly limit the funds available to college students, the president of the American Council of Education in 1988 talked publicly for the first time about separating postsecondary vocational education from the traditional aid programs. The proprietary school associations objected vigorously to this stance, calling it divisive and uncalled for, and relations have been frosty ever since. Proposals are now being developed that would subject proprietary schools to greater accountability in terms of finances and outputs.

Cavazos Default Proposals: Under pressure to revise the Bennett default regulations and forestall independent action from Congress, Education Secretary Cavasos in 1989 produced his own set of regulations for dealing with the default problem. Under the Cavazos regulations, schools with a default rate higher than 60 percent will face immediate sanctions (including possible program termination) starting next year, and schools in the 40 percent to 60 percent range will need to reduce their default rates by 5 percent annually to avoid sanctions. Schools with default rates between 20 percent and 40 percent will have to develop default management plans.

The Cavazos regulations also included a requirement that all public and private institutions offering a "nonbaccalaureate degree program designed to prepare students for a particular vocational, trade or career field" must disclose to the student:

- the pass rate of graduates on the appropriate state licensure or certification examination;
- the placement rate, only including cases where the institution has documented evidence of employment in the occupation for which the program is offered; and
- the completion rate, counting only those who graduate on time and those who graduate and obtain employment within 150 percent of the usual time.

Although the information requirements have been vigorously protested by the community college lobby, by the time the Cavasos proposals were unveiled, the political ground had shifted to such a degree that his proposal received almost universal acclaim on Capitol Hill, and even the trade and technical schools association expressed qualified support.

Appropriations Committee Action: In developing the annual Labor-HHS-Education appropriations bills for 1990, the appropriations committees in both houses of Congress approved hefty increases for elementary/secondary programs but declined to provide much new spending for postsecondary programs. In reports on their bills, both committees expressed dismay over defaults, specifically singling out proprietary schools for criticism. With this action, the consequences of negative perceptions about proprietary schools came to the fore for the first time in the area where it mattered most – funding.

Authorizing Committee Action: Responding to the new appropriations committee criticism of student aid and needing to make substantial ($40 to $70 million) programatic cuts to accommodate the FY 90 budget resolution, the education authorizing committes in each house of Congress in 1989 enacted legislation making serious reforms in the SLS loan program, which, as noted above, was seen as "tomorrow's default scandal." The legislation:

- bars schools with default rates of 30 percent or more from accepting money from the SLS program;
- delays for 30 days the disbursement of SLS to first-year undergraduates;
- requires SLS borrowers to have a high school diploma or GED;
- reduces the SLS borrowing limit for students attending programs less than a year long;
- revokes the eligibility of schools that lost their accreditation and limits their ability to shop for substitute accreditation; and
- gives the Education Secretary power to take short-term emergency action to bar schools and lenders from student aid programs if they are breaking laws or rules.

During consideration of the legislation, the proprietary school industry found a number of staunch, long-time congressional supporters contending that significant reforms are needed to protect the overall position of student aid funding in Congress.

Preparing for Reauthorization: Further remedial legislation may make its way through Congress earlier, but the serious business of coming to grips with proprietary school participation in student aid programs is expected to be a major consideration of the 1991-1992 higher education act reauthorization process.

To prepare for that and to respond to negative publicity and the recent loss of allies, the National Association of Trade and Technical Schools last year announced plans to embark on a $1 million grassroots media and lobbying campaign to ensure that their schools are not excluded from federal aid. Bob Beckel, a former Mondale campaign aide, was hired to help trade schools establish good relationships with their representatives in Congress. In the meantime, higher education groups, loan guaranty agencies, banks and other organizations can be expected to endorse reform proposals in a variety of areas.

OUTLINE OF POSSIBLE REFORMS

As the new decade begins, then, there are prospects for reform at both the federal and state levels, although the politics of the time – to tinker as little as possible with constituencies and programs – may argue against fundamental change. A number of possible reforms will now be outlined.

In each case, lawmakers and regulators would have the option of imposing reforms on all postsecondary institutions, on all proprietary schools or on institutions that demonstrate certain "risk" characteristics, such as high default rates, low retention and placement rates or an abnormally great dependence on federal student aid.

OPEN INFORMATION

The extent to which proprietary schools and community college vocational programs have to reveal their retention and placement rates to students and government authorities will certainly be an issue in Congress. It has also been suggested that all institutions participating in the student aid programs, including proprietary schools, begin to provide and make public annual audited financial data on revenues and expenditures so that Congress can effectively evaluate institutional tuition policies and profits.

RECRUITMENT

Personnel: Legislation could be enacted to prohibit proprietary schools from employing recruiters on a commissioned basis. It has also been suggested that schools: (1) be prohibited from using contractors to make final determinations regarding admissions or financial aid; and (2) be required to to pay bonuses to salaried employees based on factors other than the number of applicants enrolled.

Assessment: The New York State Education Department and others have proposed independent assessment and counselling of all proprietary school student aid recipients. One way to accomplish this at the federal level would be to beef up Educational Information Centers and Educational Opportunity Centers.

Ability To Benefit: The assessment and counselling question is especially pressing in the case of ability-to-benefit students. Some have suggested requiring independent testing and counselling of ability-to-benefit students, at least as a first step, while others have suggested eliminating the ability-to-benefit provision altogether. It has also been suggested that schools co-sign loans of ability-to-benefit students.

CLASSROOM PRACTICE

Remediation: If ability-to-benefit is preserved, some observers argue that the key is to ensure that genuine, intensive remedial services are made available to all who need it. One possibility is to require that schools with ability-to-benefit students provide them with GED training as a condition of receiving student aid. Another option is to ensure access to independent centers, such as Educational Information and Opportunity Centers.

Rolling Admissions: It has been recommended that the practice of admitting students throughout a school program be prohibited.

Program Length: The Texas Loan Guaranty Agency, among others, is proposing that GSL eligibility be removed for programs of fewer than 600 clock hours. A number of limitations on the amount of SLS loans that can be taken out for courses of different length were enacted in 1989. On the other side of the coin, interest has been expressed in opening Pell Grants on a pro-rated basis to courses of fewer than 600 hours in length, as a means of curbing loan defaults.

FINANCIAL PRACTICES

Delayed Loan Disbursement: It has been recommended that all schools, or at least high-default schools, delay the disbursements of loans to first-time students until at least 30 days of the school term have passed. This was implemented for SLS loans in 1989 legislation.

Teachouts: The Education Department and others have recommended that proprietary schools be required to make teachout agreements with other schools in case of closure. Along the same lines, it has been recommended that proprietary schools be required to pay into a Tuiition Recovery Fund to reimburse students, governments and lenders for the portion of tuition that remains unused when a school closes. Requiring performance bonds on the part of participating schools may also be considered.

Tuition Refunds: Proposals range from requiring pro-rated refunds by all institutions to only requiring pro-rated refunds for high-default institutions.

Branching: It has been suggested that the number of new branches that can be added to an accredited school should be limited to one per year. It has also been proposed that, when an owner takes over a school and turns it into a branch campus of another school, the branch campus should have to meet the two-years-in-existence requirement unless the owner agrees to be liable for all misspent or unspent program funds received by the original institution.

STATE LICENSURE

In order to strengthen state licensure procedures, some state authorities have called for the following reforms: (1) employ more investigators; (2) expand statutory authority to deny licenses to a school if its owner is convicted of a felony in another state or civil action; (3) deny licenses to schools if primary stockholders once owned another school (now closed) against which students have outstanding claims or on which an investigation is pending; and (4) renew licenses on an annual basis. It has also been suggested that the federal government assume responsibility for reviewing state licensure standards periodically.

ACCREDITATION

Specific proposals to strengthen the private educational accreditation process include (1) require the agencies to separate themselves from any relationship to industry-run trade associations; (2) adopt rules that limit "agency shopping" and branching; (3) adopt much broader public disclosure of accreditation reports; (4) share information about investigations and adverse action with federal and state authorities (and vice versa); and (5) impose tighter standards on length of courses. It has also been suggested that cases against accrediting agencies be moved into the federal court system to ensure uniformity of decisions. On a more fundamental level, the whole practice of relying on industry-run accrediting organizations to assess educational quality will be reconsidered.

CHANGING THE GRANT/LOAN MIX

One proposal not directly aimed at trade school practices but intended to reduce defaults has been put forward by Rep. William D. Ford (D-MI). Under Ford's proposal, loans would not be made available to students in the first year of postsecondary education, but grant levels would be increased to accommodate the students' financial need. Loans would be introduced in the second year of school at a relatively low level, with grants reduced somewhat, and in the third and fourth years of education, grants would be eliminated and loans progressively increased.

Since most defaulters attend school no more than a year (and frequently drop out before then), proponents of the plan argue that defaults could be greatly reduced without reducing access for needy students. Critics of the plan contend that the program would serve as an incentive for even more low-income students to reject college in favor of short-term, trade-oriented education and would simply replace defaulted loans with grants in proprietary school coffers.

Another proposal, incorporated in earlier House legislation sponsored by House postsecondary subcommittee chairman Pat Williams (D-MT), is aimed at reducing the need to incur loans by making the Pell Grant program an entitlement with a benefit level assured to those who qualify.

MAJOR STRUCTURAL REFORM

A sweeping structural reform, proposed in a variety of manners, is to take nonbaccalaureate (or non-AA degree) vocational programs out of the existing higher education act student aid programs and create a separate aid program for students in these programs. The theory driving this proposal is that vocational programs are fundamentally different from college-degree programs in that they do not purport to give a general education to their students but, rather, to train them for specific skills. It is therefore appropriate, proponents argue, for the federal government to hold these programs accountable for providing training that meets the needs of the job market and provides access to it.

The key ingredient of many such proposals is to limit eligibility to schools that meet specific output goals *and to provide federal payment only upon successful completion of these goals.* In other words, schools would be paid after students completed the training program, and only if they met specific retention and placement goals, rather than the school receiving up-front payments based only on enrollment. This is basically the way the Job Training Partnership Act (JTPA) currently works. Community college interests as well as proprietary schools have objected vigorously to proposals of this nature.

CONCLUSION

In cataloguing proprietary school abuses and some of the proposals offered to remedy them, it is important to emphasize that most proprietary schools have not wound up on the front page because of horror stories attributed to them. (Only 2 percent have ever been the subject of critical articles, according to the proprietary school lobby.) Obviously, thousands of proprietary school graduates have been pleased with their education, have found productive work and have paid back their loans. However, the evidence *does* suggest that the claims made against proprietary schools merit investigating. It is not simply a matter of a "few bad apples," as the schools purport. As Congress crafts federal student aid policy for the 1990s, the growth and practices of proprietary schools will occupy a prominent place on the agenda.

Mrs. **Lowey**. Thank you very much.

Mr. Jerome?

STATEMENT OF STEPHEN J. JEROME, PRESIDENT, ASSOCIATION OF PROPRIETARY COLLEGES, BRONX, NEW YORK

Mr. **Jerome**. Thank you.

I just want to thank you for inviting me here today.

As the last speaker, I should probably ask if there is anyone still sitting here listening.

I am Stephen Jerome and I am the president of Monroe College also in the Bronx. It's been in existence for 58 years, and I've been there for 25 years.

I have a marvelous story to talk about two special groups in proprietary education.

One which I'm the president of is the Asociation of Proprietary Colleges consisting of 33 colleges in our State with over approximately 28,000 students, and the other is a proprietary group of regionally accredited colleges and universities throughout the United States consisting of 60 colleges.

The first and probably the most important issue before us is to redefine the definition of institutions in higher education.

In our State, the State of New York, the Board of Regents makes no distinction between colleges and higher education.

On the Federal level, all proprietary institutions have a definition of vocational. We feel very strongly that these two groups should be viewed on the educational merits that we possess and not on the word "proprietary," and for that reason, we are asking for a change of definition in Title XII, Section 1201A and this is all noted in the testimony that I have handed in.

Our graduates after receiving a degree at our institution go on to their third and fourth year.

We've been very involved, and we are recognized by granting a degree by the Secretary of Education in Washington.

We have marvelous retention. We have very high graduation rates. Our institution, this past 2 weeks ago, graduated 573 graduates, and that is largely a female population dealing with the same problems that we heard from Dr. Santiago and Hostos Community College.

We want to be recognized for what we really are, and we are truly ecologists.

My second point is about the GSL default rates. Our institution and our in-city population has about five percent of our student population receiving GSLs.

If that 5 percent was approximately 90 students, and for some reason 35 of those 90 students default, our default rate is approximately over 35 percent.

We feel very strongly that the mathematics in figuring the default rates is about 1,000 years behind and a lot of educational decisions must be made to properly handle this situation.

Inner-city students have a lot going against them. Twenty-five hundred dollars is a lot less than the $49,000 we spend keeping people in prisons within our State.

My last point is a special group of students that we in New York City see, and that's a group called Ability To Benefit Students. These are students who have dropped out of high school. Many of them are bright and many of them have dropped out of high school because of situations beyond their control.

We want to make sure that those students who are very successful are given the opportunity to go into higher education, to complete their education because this is really their last hope and this is really their way out of where they are in their escape into the future.

We've been doing this for a long time. We've been in the Bronx for 58 years and we are very proud of what we do. These two associations, which I speak for, have come a long way in proprietary education and they are truly colleges.

As I ask all of you, to please recognize us as what we truly are by definition, colleges.

I thank you.

[The prepared statement of Stephen J. Jerome follows:]

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STATEMENT OF

STEPHEN J. JEROME

PRESIDENT, ASSOCIATION OF PROPRIETARY COLLEGES
AND MEMBER, ASSOCIATION OF REGIONALLY ACCREDITED COLLEGES AND UNIVERSITIES

SUBMITTED TO THE
SUBCOMMITEE ON POSTSECONDARY EDUCATION
HOUSE COMMITTEE ON EDUCATION AND LABOR

NEW YORK UNIVERSITY
JUNE 24, 1991

Madam Chairman and Members of the Subcommittee:

My name is Stephen Jerome and I am President of Monroe College in the Bronx. It is my pleasure to appear before you today as President of the Association of Proprietary Colleges. I am also a member of the Association of Regionally Accredited Colleges and Universities which is composed of approximately 60 proprietary institutions nationwide. I am speaking on their behalf as well.

The Association of Proprietary Colleges is a group of 33 degree-granting colleges in New York State. Our institutions are deeply committed to effective outcomes and are recognized by the Board of Regents of New York as comprising the "fourth sector of higher education" in New York.

I would like to offer comments on three specific issues: 1 - redefining the term "institutions of higher education" in federal statute; 2 - recalculating how Student Loan default rates are determined; and, 3 - continuing eligibility for federal financial aid for Ability-to-Benefit students;

Permit me to briefly elaborate on each of these points:

1 - Recognizing Colleges as Colleges

Although the Board of Regents makes no distinctions between colleges in New York, current federal statute defines any proprietary college as a "vocational institution," even though it may offer master's or doctoral programs. We are asking that Title XII, Section 1201(a) be revised to provide and maintain equal status for our students and institutions. The revision would define as "colleges" institutions accredited by bodies authorized by the Secretary of Education to grant collegiate accreditation.

We also urge that the requirement of a bachelor's degree or a two-year program fully transferable to a bachelor's degree be revised to a standard college degree. Current language precludes associate and graduate degree-only institutions from participation.

I want to emphasize the role played by the member colleges of the Association of Proprietary Colleges. We enroll in excess of 22,000 students in collegiate programs -- mostly at the associate-degree level — and in many instances offer inner-city residents a "last chance" to pursue postsecondary education and to change their lives.

The thousands of graduates from our colleges who are gainfully employed in businesses throughout the state (many of whom continued at other institutions for their bachelors or higher degrees) demonstrate the legitimacy of our programs. Despite academic deficiencies that many students bring with them as they seek admission to postsecondary study, our colleges have admirable retention and graduation rates.

We also support a statutory definition of a credit hour and recommend the language in the NYCRR, Title VIII, Part 50, which would resolve the problem the U.S. Department of Education seems unable to handle except by denying the use of credit hours for vocational and occupational programs at two-year and community colleges and at all proprietary institutions -- something that is totally incompatible with our collegiate functions.

The APC and ARAPCU colleges only ask to be recognized for what they are — colleges.

2 - Guaranteed Student Loan Default Rates

The default calculation is based on the number of loans, not their dollar value or the proportion of loans granted to the number of students enrolled. Thus, if a college with 1000 students, had three loans (each of $1000.00) scheduled to begin repayment in a particular year and just one missed a few payments before making full payment of principal and interest, that student would be deemed in default and the default rate of the college would be 33.0 percent. Another institution with identical enrollment but with 500 loans scheduled to begin repayment (with each loan representing $5,000.00) and 99 people not making any payment at all would have a default rate of 19.8 percent.

If currently proposed restrictions on institutions with so-called "high" default rates are adopted, such institutions would be subject to severe discipline, including denial of participation in all federal financial aid programs. In the case of our first college, for the action of one individual, 999 others would suffer. The total "exposure" of the government was $3000 and the amount "defaulted" was $1,000. The second institution had true defaults of $495,000 out of a total of $2.5 million loaned. Yet the second institution can continue its operations and policies without modification.

Clearly something is amiss here.

Yet, make no mistake about it. There will be instances when colleges have high default rates despite recalculation. When dealing with inner-city students one has to be prepared for defaults. A loan cannot be repaid by someone with an entry-level salary and large family responsibilities. However, I submit that such a circumstance should not be viewed as a loss to society. Indeed, I feel a defaulted loan of $2,500 is a good investment if it enabled the student to gain entry into the labor market. This is a cheap price to pay compared with the $50,000 it costs to keep one inmate in prison for a year!

Further, the marketplace and reform have led to the demise of many of the notorious institutions that had been the most flagrant abusers of the student loan system. Let's not embark on major legislative initiatives that might be overly restrictive.

3 - Ability-to-Benefit Students

There seems to be a movement to require students to possess either a high school diploma or an earned General Equivalency Diploma as a condition for receiving financial aid. Yet, has thought been given to the countless number of inner-city students who left high school prior to graduation for a multitude of reasons. A New York Times report on June 22, 1990 cited New York City Board of Education statistics as showing that only one third of all high school students complete the program within four years.

Many colleges make exceptions to the rule that applicants must possess a high school diploma prior to matriculation. They do so on the premise that in today's society possession of a high school diploma is no guarantee that the student is prepared for college-level study and conversely, that the absence of high school credentials in no way predicts poor academic performance.

Given the problems students face, it would be unfair to cut off aid to applicants who can demonstrate ability but lack formal credentials.

* * *

As an example of the distinction between an inner-city college such as Monroe and some of the more traditional institutions, let me note that Monroe devotes an unbelievable amount of time and effort -- in both academic and counseling areas -- to the education of our students.

Inner-city institutions, serving first generations of college-going students, must work harder to achieve the same results. We are dealing with the most vulnerable college population. We are bound to encounter failures. But, we are also literally helping people change their lives!

In conclusion, I urge the subcommitee to consider the three points I have raised: treating all colleges equally, recalculating institutional loan defaults rates in a rational manner, and continuing Title IV eligibility for Ability-To-Benefit students. I also urge you to keep in mind the purpose of the Higher Education Act which is to promote access to postsecondary programs for all Americans.

As President of Monroe College and of the Association of Proprietary Colleges, and as a member of the Association of Regionally Accredited Colleges and Universities, all I ask is that equity and common sense prevail.

I thank you for this opportunity to appear before you today and I would be pleased to answer any questions you may have.

Mrs. **Lowey**. Thank you very much.

Mr. Serrano?

Mr. **Serrano**. Thank you. This is the panel that I'm most familiar with because I've worked at one time or another with three other members, and Chancellor Reynolds has become a person that we work with in our office very closely.

Mr. Petrides, in your statement, you speak about the need to prepare teachers for certain areas.

Am I to assume that even with the current budget cuts in New York City, there will still be a need for a particular——

Mr. **Petrides**. It's worse, because we have now come into an early retirement incentive program, and I estimate that ten percent of the most senior teachers will be leaving the system between now and September 1st.

That's going to lead to more TPD's, and those TPDs are going to wind up in the most needy schools, so what you have are two problems. One, the inability to recruit teachers, and so many teachers that are not yet certified and working as TPDs.

The needs in the critical areas like science and mathematics are incredible. There are many people that are teaching mathematics in the public school system that are not certified in mathematics.

The problem is real, and it's not just a New York City problem, and you sit and have the ability between Title V and targeting the grants in Title IV to do something very major.

Mr. **Serrano**. If we do the right thing and try to set up the kinds of programs that will invite people into the teaching profession, are we not misguiding them or misleading them in terms of what the future market will be?

Mr. **Petrides**. Not at all. The future market is wide open. There are two things that happen—not enough people are going into teaching, and those who are, their SAT scores rank amongst the lowest of entering freshmen in colleges.

Something has to be done about it. You're talking about the resource which is people, they're being shortchanged now. If you look 10 years down the road, I don't know what's going to be going on in the schools. We don't need babysitters in the classrooms.

We need to have an incentive for people to go into that field, and through Title V, you can establish partnerships between the school districts of this Nation and the colleges of this Nation which have a responsibility.

If colleges don't do that, 10 years from now they're going to spend half their budget on remediation. The colleges have to help the districts.

Mr. **Serrano**. In defending New York City, I say that whenever someone stands up and says "This is the greatest country on earth," someone decides to come to New York City from somewhere else and we welcome them. That's a fact of life.

From San Antonio, LA, Miami, New York, these cities carry special burdens that the Federal Government never see?

Traditionally, New York has dealt with certain students that could be considered different from other students in the country.

Are the students arriving now for the first time that much different? Do we need to look at new ways of dealing with the student population, or are we set by our experiences with the southern blacks and with the Puerto Ricans who first arrived here years ago?

Are we equipped to deal with this?

Dr. **Reynolds**. That's an excellent question.

In my view, we're always playing catch-up. We've never ahead.

Currently, in the City University of New York, we give incoming admissions exams in mathematics, writing and reading. Then, we're distressed that we have so many students that have to take remediation. About half of our students have to be remediated. The numbers are higher in the community colleges in those three areas.

To this end, and targeted at our young people as they do come in to us, I've been working with Chancellor Fernandez and the Board of Education to create a much stronger partnership with the public schools.

We just did a survey this year and found out that we have 9,000 Dominican students. No one knew the numbers were that great.

We're beginning to see lots of students coming to us from Russia, Bulgaria, eastern European immigration is starting to get much heavier.

Fastest growing are Asian students, and I don't think we have properly planned or met the needs of Asian students.

I'm putting together a major task force this summer to start thinking about the entire immigrant way. How do we prepare the City University of New York for the migrant and immigrant students coming to us in the 1990s.

I wish I could tell you we've done all we need to do. I think we need to do much more.

Mr. **Serrano**. Do you feel we're on solid foundation in terms of the history of the university?

Dr. **Reynolds**. That part of the mission of the City University of New York to take new people to these shores and create for them a route into mainstream America is the noblest mission of this university and one we're deeply committed to.

Dr. **Polishook**. I think your question is an important one, and in my testimony, as brief as it was, I suggested what the university is seeing is the vanguard populations of the United States of America in the 21st century.

I could describe something similar in other parts of the country. We're not unique in this respect.

Sixty percent of the student body is now composed of minorities at the City University. Nearly two-thirds of women, more than half are over the age of 23, more than one-third were not born on the United States mainland, nearly half has a dominant language at home other languages than English.

They do come from the public schools of New York City and reflect all the problems that immigrant new populations find in those public schools.

I think it's important to give something more specific to your question so that the reality that you asked about is reflected in the institutional description.

Brooklyn College, between 1988 and 1991 saw an increase in the number of students that were admitted to that institution—we're talking about the top third of the graduating classes of the schools from which these students came.

In the fall of 1988, it was 6.9 percent. In the spring of 1991, it's risen to 11.2 percent.

The vanguard population of our university is what is going to happen to the United States in the 21st century.

The Higher Education Act has to reflect that, both by the stress on Pell, as well as the emphasis on teacher education programs so that we bring into the schools qualified teachers.

Mr. Petrides has made a point about the importance of programs in this area.

To be specific, as to what is the reality out there, a new population of people, a new diversity with new problems and new needs to succeed for a new Nation, the last figure I had as to the graduates of the City University of New York who are qualified to teach in the public schools with provisional certification, meaning by that, they graduated from an improved course of study in one of the universities academic departments.

The last figure I had is 788 students.

Not only don't we have students available who are qualified in areas of mathematics and science, we don't have students who are qualified in any area, and the overwhelming number of students that will be needed to make up the cohort of teachers who teach in the public schools, even with the cuts we're going to get, we are not graduating qualified people.

We've got to think about that in the reauthorization, and in our testimony, we made a point about two ways to go.

One, to try to develop new populations of people who are already in the pipeline and make certain that they move into teacher education as early as possible, but surely not too late to make it effective.

We made a proposal among other new proposals, not very expensive, by the way.

We also think it's important that as much help be given to the existing teacher core in the schools, those who will not retire, those who do need assistance to teach the students that are currently in the schools.

Your question is a very important one. My response to it may have been longer than you expected, but it's only a little piece of a very important agenda that you describe by your question.

Dr. POLISHOOK. I was a member of the district in commission for the City Council, and one out of seven New Yorkers did not live in New York a decade ago.

Mr. SERRANO. I know that well.

For the record, my association with Mr. Jerome and with Monroe College is one that suggests both to me and to my staff that this is a school which has been doing the right thing for a long time.

So much so, that borough president of the Bronx and this Congressman are not afraid to be seen at their activities.

I say that, fully understanding that his profession and my profession are very similar, in that there's a percentage of people in my profession who do a lot of cheating and stealing, and yet the press has put us all together.

Yet, the press continues to put us all together.

I know that you spoke about what you wanted to speak about, but we can't get away from the fact that there's this lumping together.

What should I, as a member of this committee, be looking at so that I can deal with those schools and at the same time don't do to you what the press tries to do to me when it speaks about my profession in general?

Mr. **Jerome**. I want to thank you for your nice remarks.

If we talk about the other side of proprietary education, we talk about trade schools and certain business schools, vocational schools, I think there's been a lot done in the last year and a half.

One, a lot of the fly-by-night problem schools have gone out of business. I think that's the trend that's been happening.

Mr. **Serrano**. They've been forced out of business?

Mr. **Jerome**. Yes, both by the State, Federal, default, by all various types of regulations that have been happening.

Plus, some people in some of these institutions that have come about in the last 3 to 6 years, realized what was happening and they left, and unfortunately they'll probably get involved with another industry as long as it's not proprietary education.

They always seem to go somewhere and they always end up somewhere.

I think if the control is there, the finer education institutes will always come through and will survive.

We've been doing it for over 60 years now, and we're not going to change what we do. We do it well.

These other proprietaries, and they are a smaller group, there's one person in the industry—I think they are being eliminated. I think the controls that have come about in our State, I think the Federal controls that are now happening, are making a definite difference.

I think what we have to look at is the educational institutions are all going together and keep eliminating the ones that are not coming through the proper way and keep eliminating those institutions that just may not be in proprietary sectors. Some of those are in other sectors.

I think once the government gets tighter, which it is and stays in place, I think these problems are going to be behind us.

Mrs. **Lowey**. Just a few closing comments—I wish I had the opportunity to pursue some of these discussions.

I want to thank Dr. Reynolds, Dr. Polishook and Mr. Petridies for your comments on the urgent need to recruit teachers. I know we all support a national teacher corps to accomplish this important task.

In particular, I would be most appreciative if you would give us some additional testimony on the value of loan forgiveness, because this is something that I have talked about and there are those in Congress who do believe that those who enter teaching would do it anyway and that loan forgiveness is not an important factor. I would be most appreciative for that information.

Secondly, I'd like to thank Dr. Reynolds for your specific testimony in regard to the necessity of encouraging women and minorities to enter mathematics and science.

I know you've contributed some important research in this area, and if you have any additional comments, I'd be most appreciative for that.

I would just like to say to Mr. Petrides that when I got to Congress, my political science professor at Mount Holyoke surprised me with a paper I wrote in 1958 which was entitled, "The Impact of Sputnik on our Educational System," and here I am on the Education and Labor Committee 30 years later.

We're looking for that focal point again, something that would really move us forward to invest the resources into math, science and education. The reauthorization of the Higher Education Act is an enormous opportunity in this regard.

I think that it's urgent if we're going to be competitive in the world, so I welcome your comments.

Mr. Jerome, I think it's a grave error when we put everyone in the same pot—proprietary schools, non-degrees, granting schools, degree-granting schools, and I welcome your testimony on the bill that I've introduced concerning the State oversight and the State role, because I think it's very important that we work with you to be sure that the good schools, such as yourselves and there are many of them, are separated from those who are really bilking the public. We've seen that today.

I certainly welcome anything additional you have to say in your comment on that testimony.

In general, I want to thank the entire panel. I do wish we had more time, but I think your comments and your testimony have been very enlightening.

Thank you so much.

[Whereupon, at 12:40 p.m. the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

[redacted]

BOARD OF TRUSTEES

Adrian Marcuse, Chairman
Laboratory Institute
of Merchandising
New York, [illegible]

[illegible]

Edward [illegible]

[illegible]
The Brown Mackie [illegible]

Frank [illegible]

Richard [illegible]

Bernard [illegible]
Walden University
Naples, F[illegible]

Testimony of
Adrian G. Marcuse
President, Laboratory Institute of Merchandising
New York City, New York

representing

The Association of Regionally Accredited Private Colleges and Universities

before

Subcommittee on Postsecondary Education
of the
House Education and Labor Committee

June 24, 1991
Washington, DC

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BEST COPY AVAILABLE

Mr. Chairman and Members of the Subcommittee:

I am Adrian G. Marcuse, President, Laboratory Institute of Merchandising (LIM) of New York City. LIM is a college accredited by the Middle States Association of Colleges and Schools and by the Board of Regents by the State of New York.[1] LIM is authorized to offer programs leading to the bachelors and to the associate degrees.

LIM is proprietary in its form of corporate organization rather than public or private non-profit. Please do not infer that because it is proprietary in governance that it is a trade, technical, or vocational school. It is not and that is why I am here as Chairman of the Association of Regionally Accredited Private Colleges and Universities (ARAPCU).

ARAPCU is an association limited to collegiate degree-granting institutions accredited as such by one of the regional accrediting agencies. Accreditation for proprietary colleges and universities is now an accepted practice among the regional bodies. It is no longer a peculiar aberration as it once possibly was considered in 1958 when the definition of an "institution of higher education" was enacted in Title II of the National Defense Education Act the precursor of the Higher Education Act of 1965.

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[1] Neither of these two collegiate level accrediting bodies recognized as such by the Secretary of Education are referred to in the GAO Briefing Report to the Chairman, Permanent Subcommittee on Investigations, Committee on Governmental Affairs, U.S. Senate entitled *School Accreditation, Activities of Seven Agencies that Accredit Proprietary Schools* (GAO/HRD-90-179BR, September 1990). Properly so because that report in fact dealt with occupational training schools rather than degree-granting colleges. The GAO unfortunately and erroneously used the term proprietary as the equivalent to or the same as vocational training and technical schools.

Regional accreditation now includes a fair cross section of proprietary degree-granting institutions ranging from the doctorate to the Associate. Some proprietary institutions offer only graduate degrees. Examples are:

Walden University Minneapolis, Minnesota	North Central Assn. Accreditation Doctorate degree only - no undergraduate
Illinois School of Professional Psychology Chicago, Illinois	North Central Assn. Accreditation Doctorate only - no undergraduate
Arthur D. Little Management Education Institute Cambridge, Massachusetts	New England Association Accreditation Master's only - no undergraduate
Keller Graduate School of Management[2] Chicago, Illinois	North Central Assn. Accreditation Master's only - no undergraduate

For some years we have been quietly going about our business - educating students. Suddenly, we find our schools and students ensnared in an almost ideological debate and victimized or maligned by specious statistic

- The controversy over the GSL default rate in "proprietary schools" exploded,
- The definitions were hastily drawn and the statistics were grossly distorted.

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[2] Attached as Exhibit A is a recent story on the Keller Graduate School which appeared in *Forbes Magazine* of May 27, 1991 at page 304 "A Good School Story". Also, for the record we add a companion piece from the same issue *Forbes* interviewing the noted economist Dr. Milton Friedman on the subject that running a college as a business will not harm higher education.

- Despite readily available default data that proprietary collegiate institutions were favorably comparable to other colleges, the researchers and commentators from ED, GAO, and the Library of Congress lumped all "proprietary" data into one figure without distinguishing between degree-granting and non-degree granting institutions.
- Our students having already been disadvantaged by express exclusion from such legislation as the Qualified United States Savings Bonds (26 U.S.C. § 135(c)(2)), would be hobbled by an ED proposal on credit-hour usage, and may face bifurcated standards in the administration of the Title IV HEA.

THE GSL DEFAULT DEBATE

Whether or not one agrees that the GSL default rate at an institution is per se an indicator of quality matters not. Congress seems to have come to the conclusion that the Cohort Default Rate is a basis for judging the educational effectiveness of an institution. So also have the media, the U.S. Department of Education (ED), the guaranty agencies, and the state licensing bodies for occupational schools.

We are perfectly willing to live with such an indicator if only the researchers and statisticians at ED, the General Accounting Office (GAO), the Congressional Research Service (CRS) of the Library of Congress would play fair. They do not. Each of these agencies persist in equating "proprietary" with "occupational, vocational, technical and trade schools" (OVTT). Proprietary is a form of institutional organization, while OVTT involves substantive areas of occupational training.

We feel that our students and our schools have been maligned and victimized by questionable use of statistical data. Before specifically pointing out some particularly egregious cases, let me try to assure the Committee that default data for regionally accredited and New York Regents accredited colleges are "good" and are favorably compatible with other two and four-year colleges. The key is to compare colleges with colleges. That has not been done.

On the basis of data published by ED in the annual cohort default rate by institution for the year 1987-1988, we have determined on the basis of publicly available data that the average Cohort Default Rate and the average total of dollars in default that:

	%	$
Regionally accredited degree-granting institutions which are proprietary	13.45%	$452,504.19
New York Board of Regents institutions which are proprietary	13.61%	$197,442.26
Non-regionally accredited[3] but degree-granting institutions which are proprietary	18.40%	$297,591.97

Despite the ready availability of that data both the Department (ED) and the General Accounting Office (GAO) ignored any distinction among schools that are proprietary in form (e.g., degree-granting versus occupational shorter courses, etc). Both carefully categorized other collegiate institutions as public or private and in each category further divided them by two and four-year programs. Not so for "proprietary".

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[3] We are not sure that each of these degree-granting institutions are accredited by the non-regional agency as a "College". That, however, is a matter between the accrediting agency and the Secretary of Education who recognizes these non-regional bodies.

For proprietary both the GAO and ED lumped all the data together for one composite figure for "proprietary schools"! The published data were, of course, very unfavorable to any proprietary institution which, though regionally accredited, New York Regents accredited, or just has at least a two-year degree program accredited by a non-regional agency.

ED through its Office of Planning, Budget and Evaluation in its 1990 publication *Reducing Student Loan Defaults - A Plan For Action* stated that "For example, in FY 1987, proprietary schools had an average default rate of 33% - twice the rate of two-year institutions and more than four times the rate of four-year institutions." Lumping all proprietary institutions together is a true but skewed statistical statement resulting in a faulty conclusion! An excerpt is attached as Exhibit B.

Had the ED Office of Planning, Budget and Evaluation who authored the publication availed itself of the statistical data in the ED Eligibility and Certification Division, the statistics might have been more professionally portrayed. ED Eligibility has detailed records on the accreditation source and length of program of every eligible institution.

The rates for degree-granting regionally accredited, or for that matter, all degree-granting proprietary institutions, are better than or comparable with public or private two-year institutions. None-the-less, ED states in Table 2 at page 11:

Table 2
FY 1987 Cohort Default Rate by Type of Institution

Type of Institution	*Default Rate*
Proprietary	33 %
Public two-year	18
Private two-year	14
Public four-year	7
Private four-year	7
All institutions	17

Source: U.S. Department of Education, Office of Planning, Budget and Evaluation, based on data provided by the guarantee agencies.

The GAO in 1989 unfairly lumped together all proprietary schools in a comparison with public and private two and four-year schools. The default rates at page 18[4] are listed as follows:

- 2-year public: 21%
- 2-year private: 15%
- 4-year public: 9%
- 4-year private: 8%
- Proprietary: 34%

Regionally accredited degree-granting colleges which are proprietary are being victimized by such loose statistical presentations. Our students are being denigrated and victimized.

In our attachments to this statement we have listed other examples of inadequate statistical portrayals and inappropriate anecdotal attempts at defining a "proprietary school". The problem is always that the researcher attempts to conform the corporate organization of a school with the vocational-occupational training program it offers. The two concepts are not necessarily mutually exclusive but they don't just "fit". There are at least three recognizable categories of institutional governance, public, private non-profit, and proprietary. There are also degree education and certificate postsecondary occupational programs. To divide the first two groups into two and four-year schools and lump together all proprietary (degree and non-degree) is at least sloppy research and possibly, perhaps, gross negligence. Unless there is some other undisclosed agenda!

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[4] GAO (HRD-89-63BR) *Briefing Report To Congressional Requesters: Guaranteed Student Loans, Analysis of Student Default Rates at 7,800 Postsecondary Schools.* Excerpt of page 18 attached as Exhibit C.

THE SAVINGS BOND EXCLUSION

Without our having an opportunity to defend or explain, the 1989 Qualified United States savings bond legislation (26 U.S.C. § 135(c)) was amended in conference to explicitly and deliberately exclude students in any proprietary school. The definition of an "Eligible educational institution" was carefully crafted to exclude students in any proprietary school, degree-granting or occupational training. See Exhibit H for law and Conference Report excerpt.

We believe this exclusion was based upon concerns about "proprietary schools"; particularly GSL-Stafford default rates. The specious 34% GSL default rate. Had the statistical information been accurately or fairly portrayed, the reaction may have been more generous to students in degree-granting proprietary colleges accredited as such by an agency recognized to accredit colleges.

None-the-less, the definition excluded students in a "proprietary institution of higher education" (which can include anything or program if it is a least six-months long) defined in subpart (A) of HEA Section 481. Institutional definitions were limited to the generic definition of an "institution of higher education" of HEA Sec. 1201(a) subparagraphs (C) or (D) of Section 481(a) which do not apply to proprietary schools or vocational schools as defined for purposes of the Stafford (GSL) program in Sec. 435.

The same sort of discrimination was blandly attempted in the ED NPRM on credit-hour usage!

RELIEF REQUESTED

The only way out of this definitional debacle is to find a "safe harbor" for our students and our schools in HEA Title XII Section 1201(a) which generically defines an "institution of higher education". Our schools are such and have been designated as such by our peers. We urgently request that the Committee grant us this safe harbor and allow us to properly identify with other institutions of higher education which, generally as we, are accredited by the older traditional regional accrediting bodies that deal with colleges and universities[5]. We believe our colleges and our students are entitled to this dignity and the protection from continued statistical malpractice.

Section 1201(a) already has several exceptions from satisfying one or more of the enumerated elements. We merely ask that one more be included. Surely if any non-profit institution with only a one-year program fits under the 1201(a) definition then a legitimate regionally or New York Board of Regents degree granting institution also should.[6]

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[5] Attached as Exhibit D are letters announcing such collegiate accreditation from several regional bodies.

[6] As far as we know, the Subcommittee scheduled no hearings on the subject of revising the several definitions in Section 1201(a), 481, and 435. Possibly all three should be revised.

We suggest that is absurd that an institution legitimately awarding the doctoral degree under proper state authority and legitimate regional accreditation as a college should be classified as a "vocational school" in order for its students to obtain financial aid! Therefore, we urgently request the Committee to revise Section 1201(a) of Title XII by inserting after the first sentence following the period after the word "accredited" and before the words "such term" an additional sentence to read:

> "Such term also includes a degree-granting college or university so authorized by the responsible State education authority and which institution is accredited at the collegiate level by an accrediting agency recognized by the Secretary to accredit institutions at the collegiate level".

We have made a similar request on the House side. It is published at page 169 of Part 5 of the Committee Print (May 1991) *Legislative Recommendations for Reauthorization of the Higher Education Act and Related Measures: Title V-XII, and Related Measure.* We include as Exhibit E our proposals along with the rationale.

The proposals are three in number. The first deals only with the inclusion of degree-granting colleges in Section 1201(a). The others:

> Number Two Should be of aid to any institution which does not offer the Bachelor's degree but offers either the Associate or a graduate degree. The strict words of the present language unconditionally require that the institution offer a bachelor's degree. Also, we believe the transfer of credit clause should be modified to take into account actual present day practices of transfer.

> Number Three is an attempt to define just what is a credit-hour. The Department of Education claims in its NPRM that this is their goal. The result of the ED NPRM is, in fact, a definition of which institutions rather than how they may use the credit-hour system. As proposed, all proprietary schools and all community college non-degree programs, despite long and legitimate histories in the use of the credit-hour, effectively, would have been forced into the vocational school clock-hour mode.

The rationale for each of these three proposals has been set out in the third column of the attachment. We would be happy to respond to any questions either the Committee or the Professional Staff might have on the substance or the consequences of our proposals.

NEW OPPORTUNITIES OR OPENING THE FLOODGATES?

Predictably, some components of the higher education configuration (we hesitate to call it a community) instinctively would react negatively. Any such visceral response is absurd and unwarranted. As an example, unless an institution qualifies under the Section 1201(a) definition of an "institution of higher education" its resources may not be used under a service contract to advance the Title I Postsecondary Programs for Nontraditional Students.

We suggest that the purpose of Title I of HEA is to assist students and not to protect institutional turf. Section 103 of Title I quite appropriately provides for both grants and contracts. (We would suggest that in the aftermath of the Stanford University disclosure such contracts could prohibit expenditures for maintenance of a presidential yacht or the purchase of an antique toilet seat!)

For those who feel the necessity for utilizing the distinction between grants and contracts we would point out that such concepts and terminology are carefully provided for in 31 U.S.C. 6301 et seq, Chapter 63 - Using Procurement Contracts and Grant and Cooperative Agreements. We suggest the proper concern is "how" rather than "if".

Once again we would say that our narrow proposal would be limited to a handful of degree-granting colleges and universities accredited as such by an agency recognized by the Secretary of Education to accredit at the college level. Probably less than a hundred all told. Such a responsibility might incline the Secretary's Advisory Committee on Accreditation to review the practices of the several non-regional accrediting bodies in regard to offering of degrees by institutions not expressly recognized by the state as a college and not explicitly accredited as a college.

Meanwhile, we feel that our schools could make a significant and possibly, perhaps, refreshing contribution to Title I, the Literacy Act, and host of other programs presently limited to Sec. 1201(a) defined "institution of higher education". De facto the regionally accredited degree-granting proprietary colleges are such institutions. All we ask is a legislative recognition of who we properly are and what we are doing, as well as what we are not.

FAIR PLAY PLEASE

Certainly we are entitled to a legitimate definition and professional statistical analysis. Thus far we have been denied such fair treatment by ED, GAO, and the Congressional Research Service of the Library of Congress. Curiously, one of the most incisive critics, the Inspector General of ED, has recently instituted a new category, OVTT, occupational, vocational, technical and trade schools. In the *Semiannual Report to Congress, No. 22*, the IG carefully delimits the discussion to OVTT schools. Not one of the OVTT institutions discussed at pages 9-17 is a regionally accredited degree-granting proprietary institution!

We are also encouraged to read in a more recent GAO publication[7] addressed to this Subcommittee that the author, Franklin Frazier, Director, Education and Employment Issues, has used "vocational/trade" in describing the nine defaulter characteristics. We include page 12 as Exhibit F. By contrast, in his February 20, 1990, testimony to the Senate Subcommittee on Permanent Investigations, Mr. Frazier used the broader term "proprietary" in discussing default rates. He repeated the statistical canard that the default rate is "39% in proprietary schools". We attach as Exhibit G page 11 of his testimony. Similarly characterized information is portrayed in GAO Report/HRD-89-63BR at page 18 previously noted in footnote number 4.

Such a persistent and continued misuse by so many prestigious agencies, ED, GAO, and CRS may in part explain why the recently released report of Senator Nunn's Subcommittee on Permanent Investigations uses the terms "proprietary" and "trade schools" interchangeably.

CONCLUSION

We suggest that it is appropriate to incorporate into the reauthorization of the Higher Education Act previously unrecognized resources, the proprietary accredited degree-granting colleges and universities, by incorporating them into the Tile XII Section 1201(a) definition of an "institution of higher education".

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[7] *Student Loans, characteristics of Defaulted Borrowers in the Stafford Student Loan Program* (GAO/HRD-91-82BR, April 1991).

These are colleges and universities are recognized as such by their peers in the regional accrediting agencies and the New York State Board of Regents. These institutions of higher education have been unfairly victimized through skewed statistical data in the GSL default debate.

Congress should open up the definition of an "institution of higher education" for the future and release Section 1201(a) from the outmoded conceptual limitations of the 1958 NDEA and the 1965 HEA. We seek your approval and action.

Respectfully Submitted

The Association of Regionally Accredited
Private Colleges and Universities

By:
Adrian G. Marcuse

How a couple of Ivy League entrepreneurs successfully compete with state colleges—and make money.

EXHIBIT A

Good school story

By Leslie Spencer

RONALD TAYLOR recalls the day in September 1973 when he and his partner, Dennis Keller, opened the Keller Graduate School of Management in a Chicago office building. "Dennis and my wife and I had to carry a 12-foot chalkboard up 21 floors because it wouldn't fit in the elevator," Taylor says. "We had seven students, one of them our secretary."

Keller and Taylor are entrepreneurs in, of all businesses, education. Their for-profit management school offers a good-quality M.B.A. for $5,600 a year, about a third of the cost of an M.B.A. at places like the University of Chicago and Stanford, where Keller and Taylor (respectively) earned theirs in the late 1960s.

Taylor graduated from Harvard in 1966. Keller earned a B.A. from Princeton in 1963. After business school, and for Taylor a stint in Vietnam, they both went to work for the DeVry Institute of Technology, a proprietary school then owned by Bell & Howell that offered associate and bachelor programs in electronics. At DeVry, the pair learned something not often taught at the prestige business schools: the economics of for-profit education.

Ronald Taylor and Dennis Keller
The M.B.A. program as profit center.

Forbes ● May 27, 1991

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In 1973 Keller and Taylor raised $150,000 from parents and friends to fund their management school. For two years Keller and Taylor operated their business as a full-time, nonaccredited day school offering a one-year certificate in business administration. They did most of the work—teaching and administration—themselves, sometimes without pay. By the end of 1974 they had a staff of five teachers, about 25 students, still no accreditation and a bank account that was near the vanishing point.

Even though they kept costs and tuitions low, they still couldn't compete with charitable subsidies and tax advantages of established, nonprofit schools. Many prospective students could not afford to enroll. As the school was unaccredited and still didn't offer degrees (as opposed to certificates), they were ineligible for federal loans.

Taylor and Keller decided to switch emphasis to an evening program for working adults. The new formula worked. They were offering M.B.A.s by 1976 and were fully accredited the following year. By 1987 they were grossing $5 million a year from an enrollment of 1,300.

It was time to branch out. Their old employer, Bell & Howell, wanted to unload its 85% stake in DeVry. A venture capital group led by Chicago-based Frontenac Co. provided the Keller management school with $24 million in equity to buy DeVry for $182 million. It was a highly leveraged transaction, but since then the company has paid down $58 million of the acquisition debt while a pending public offering of DeVry Inc. should bring in enough to pay down another $44 million.

The Keller management school is still cranking out would-be executives, but it is now overshadowed by the rest of the company. The DeVry Institutes enroll 24,000 students on 11 U.S. and Canadian campuses, accounting for all but a sliver of DeVry Inc.'s June 1990 fiscal year revenues of $156 million. Popular majors are electronics, data processing and accounting.

Students in a DeVry electronics [illegible]

To them, this looks like a better buy than a state school at half the price.

Education can be a profitable line of work. DeVry's operating income (profits before interest, depreciation and taxes) ran to $21 million on sales of $122 million in the last nine months.

How have the education authorities reacted to the invasion of capitalism on their turf? Without enthusiasm. Until recently, New Jersey, for instance, did not have legislation allowing for-profit schools to offer bachelor's degrees. DeVry's degree-granting status is now being considered by New Jersey. But the educational authorities see another fatal flaw in the operation: The teachers work too hard, putting in 20 classroom hours a week. Steven Brown, dean of administration at DeVry's Woodbridge, N.J. campus, says the state wants him to limit his teachers to 15 hours a week.

New Jersey, groaning under a huge state budget and higher taxes, might be better off taking a leaf from DeVry's book. For now, the school copes as best it can: Each year it packs off about 100 degree students to sister schools in Atlanta or Chicago for two semesters, allowing them to earn their degrees in Georgia or Illinois before returning.

Despite the hurdles set up by laws in some states, Keller and Taylor easily overcame the other obstacle: accreditation, controlled by regional associations. Keller Graduate School was the first for-profit school the North Central Association of Colleges & Schools ever accepted for membership. Of course, its unconventional approach to the M.B.A. curriculum worried the educational establishment. But today the president of the Council on Postsecondary Accreditation, Thurston Manning, is on DeVry Inc.'s board, and Keller and Taylor have become active accrediting consultants.

At a DeVry Institute campus in Lombard, Ill., just off the beltway that circles Chicago, one of the classrooms in a concrete block building is stuffed with tense-looking students taking exams. What they've retained of applied calculus and cost accounting is being tested. Most of these kids have parents who never went near college, and they are relying on federal loan programs to help manage the $4,750 in tuition and fees for an academic year at DeVry. That figure is almost twice the $2,500 a DeVry student would pay to go to nearby Northern Illinois University. But Taylor says that students are willing to pay the difference because they think that a degree from DeVry pays off in the job market.

Taylor and Keller have big dreams for the DeVry Institutes. For one, down the road they are interested in offering management contracts to public schools (kindergarten through grade 12). If this works, both students and taxpayers could be better off, but the bureaucrats and teachers' unions will probably do everything possible to stop it.

"Education is hurting deeply," says Keller with a grin. "We can help." Is anybody listening? ■

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[redacted]

Nobel Laureate Milton Friedman argues that our Ivy League colleges could cut tuition in half and still make money if they were exposed to the disciplines of the market rather than counting upon government subsidies and big private donors.

The perils of socialized higher education

By Leslie Spencer

Milton Friedman

The case for taxable colleges.

[redacted]

In 1966 the Middle States Association of Colleges & Schools refused to consider Marjorie Webster Junior College for accreditation. Was the college guilty of low academic standards? Not at all. Marjorie Webster stood accused of the deadly crime of capitalism. It was seeking to earn a profit. Nobel Laureate Milton Friedman testified, free of charge, on the college's behalf in the case the college brought in 1970 against the accrediting association. His testimony failed to convince the U.S. Court of Appeals to order consideration of the school for accreditation, and the college was forced to close in 1975.

At a time when the steadily increasing cost of college education is devastating the middle class, Friedman sees nothing wrong with subjecting higher education to the same financial disciplines other services must bear. In this interview Friedman expands upon the theme.

Can you run a college like a business, insisting that it cover its expenses from operations and show a return on its investment? Wouldn't this harm higher education?

Friedman: I have no doubt whatsoever that it would be possible to make money on half the tuition charged by the Ivy League schools. And there's no reason to be surprised at that. To start, there is a very general rule that on average it costs half as much to run anything privately as it does governmentally. And these higher education institutions are fundamentally governmental institutions.

Harvard, Stanford—these you call governmental?

I don't believe there's any real distinction between the so-called private and the so-called public universities. In no essential respect can you say that Stanford is private and Berkeley is public. The "public" universities like Berkeley and Michigan have very large private endowments, and the "private" ones like Stanford and Columbia get about a third of their income from the government in research grants. The distinction is between governmental and nongovernmental, but not between public and private.

You've said, in *Free to Choose* and elsewhere, that colleges are not just

Nobel economist Friedman of Stanford's Hoover Institution

"I have no doubt whatsoever that it would be possible to make money on half the tuition charged by the Ivy League schools."

in the business of selling education to students. They mix in other businesses as well. For example, they peddle immortality by putting people's names on buildings in return for big contributions.

I have always argued that universities are multiproduct enterprises. They produce three major products: schooling, research and monuments. All the participants in this venture serve multiple functions, and it is very hard to isolate the separate components. You have to really look at them the way you do General Motors or General Electric.

For instance, students are resources as well as customers. Why does a college give scholarships? A university will not be able to attract large donors without a prestigious reputation. And the way it gets this reputation is by bringing in high-quality students who can give the institution a good name in the future, and who become sources of funds and monuments for the institution in the future.

In principle, if the multiproduct firm is efficient, a single-product firm should not be able to take away its business. If GE makes electric bulbs and also makes something else, a firm that makes only bulbs should not be able to take away GE's bulb business.

So, as multiproduct businesses, universities should be economically efficient, yet they are not. They require donations, government grants and endowments to balance their budgets.

They are inefficient for the same reason that governmental enterprises are. They are not dependent on a market test, because they have sources of funds, like government grants and faithful alumni, that are not really affected by markets.

I ask businessmen: if you want to buy a gadget for your business, do you look at whether someone who graduated from college with you is producing that gadget, or do you look for the best and cheapest gadget? But when you look for what university or college you are going to subsidize, do you look for the one that is producing what you want to buy, or do you look at your school tie?

Does this inefficiency also apply to research?

You have dozens of examples of single-product research outfits. Battelle Memorial Institute and Bell Labs, for instance.

And the think tank industry is another form of hiving off into single-product enterprises. That's been promoted, in part, by two separate trends. One has been the increasing "political correctness" thinking at colleges and universities. This has provided a supply of scholars for think tanks. And the demand for think tanks has arisen because one of the side effects of growing government has been an increase in the amount of funds available for think tanks from private foundations like the Bradley, Olin and Lilly foundations.

Monument building is the hardest one to separate. But I think you do have separate monuments—for example, the Metropolitan Museum or the Mellon Institute in Washington, D.C. Art institutes and astronomical observatories seem to have been a favorite form of private monument.

Despite inefficiency, many colleges make a lot more than they spend. Harvard, for example, reported income over expenditure of $450 million for 1988-89. Yet Harvard pays no income taxes, except on investment income. And there is another subsidy in that donors get a deduction from taxable income.

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Milton Friedman

It is important to distinguish two very different things. One is whether you as an individual should be permitted to deduct gifts. The other is whether the institutions to which you choose to give should be tax-exempt from the point of view of income and, more important, property. There is a case for the first, on the grounds that it is a way in which you can decentralize the decision about how tax money should be devoted to various activities.

But, for the second, I think that the most important single reform we could make from the point of view of getting better government would be to abolish nontaxable status completely—for churches, universities, everything. Why? Because the nonprofit sector is the major source of pressure for increasing the size of government and its intervention in our affairs. It is a set of institutions that are capable of getting the benefit of government expansion without paying the cost. They don't have to pay any taxes for it—though of course their employees do—and yet they get the tax money coming back to them. And as an empirical matter it is clear that the major source for what is wrongly called "liberal" governmental involvement is from the universities and the churches.

The term "nonprofit," of course, connotes virtue. If universities were "for-profit," people would no longer see them as needing help.

I agree completely. But let me put it differently. Nonprofit status is a selling point for monuments. Mrs. Jones is not likely to erect a monument for her late husband by building a new structure at the Jones Chemical Works; she will prefer to give a Jones Library to a university. Why? Because a university is somehow associated with an estimable public enterprise.

Come to think of it, why do we refer to these institutions as nonprofit rather than nontaxable? I've tried to write about schools as governmental versus nongovernmental rather than public versus private. Referring to taxable versus nontaxable rather than for-profit versus nonprofit schools would also be a much cleaner, non-Orwellian use of language.

So it's a very good idea: Let's set up some taxable liberal arts colleges and see how they compete. ■

EXHIBIT B

Default and the Postsecondary Institution

When students first consider borrowing money to finance their education, often the first place they contact is the postsecondary institution. Therefore, these institutions are in a unique position to offer students advice, information, and referrals. They are also responsible for giving students a high-quality education, admitting and awarding aid only to students who can benefit from the institution's program, and helping the students find employment after completing the program. A high default rate for an institution suggests that the institution may not be meeting one or more of these responsibilities.

To evaluate the magnitude of each postsecondary institution's default problem and to require specific actions from high-default institutions, the Department of Education calculates a fiscal year cohort default rate—defined as the percentage of borrowers entering repayment status in one fiscal year who default before the end of the following fiscal year—for each school each year. The fiscal year 1987 cohort default rate for all institutions with at least 30 borrowers was 17 percent. This means that 17 percent of all borrowers who entered repayment status in FY 1987 defaulted before the end of FY 1988.

Table 2 shows that the average default rates for various institutional sectors differ significantly. For example, in FY 1987 proprietary schools had an average default rate of 33 percent—twice the rate of two-year institutions and more than four times the rate of four-year institutions. Also, proprietary schools, while accounting for 39 percent of the institutions participating in the student loan program, accounted for 89 percent of institutions with default rates greater than 60 percent and 84 percent of institutions with default rates greater than 40 percent.

Table 2

FY 1987 Cohort Default Rate by Type of Institution

Type of Institution	*Default Rate*
Proprietary	33%
Public two-year	18
Private two-year	14
Public four-year	7
Private four-year	7
All institutions	17

Source: U.S. Department of Education, Office of Planning, Budget and Evaluation, based on data provided by the guarantee agencies.

One of the purposes of a guarantee agency is to insure lenders against losses due to borrower defaults.

Guaranteed Student Loan (GSL) programs: Group of programs comprised of the Stafford loan, the PLUS, and the Supplemental Loans for Students (SLS) programs. (See specific loan program definitions).

In-school period: Period between the date the student begins school and the date the student leaves grace status.

Insurance Fee: Fee the guarantee agency may charge lenders to help cover the agency's expenses. Lenders may pass the charge on to their borrowers.

Interest capitalization: Procedure whereby loan repayment is deferred but interest continues to accrue and is combined with the original loan principal, thus increasing the borrower's debt.

Limitation, suspension and termination (LS&T): A procedure whereby a school or lender that fails appropriately to administer the GSL programs may be subject to penalties, including limitation on the amount of loans, suspension of the institution from participation in the GSL programs for a specified time period, or termination of the institution's participation.

Loan principal: Total amount borrowed, not including interest.

Origination fee: An amount generally equal to 5 percent on the face value of the loan which is deducted from each loan made to the student and transferred to the Department to help offset loan subsidy costs.

PLUS loans: Variable-rate, generally unsubsidized loans for parents to help pay for their children's education.

Preclaims assistance: Assistance provided to lenders by the guarantee agency to encourage delinquent borrowers to make payments and to help locate borrowers after an account is delinquent.

Promissory note: The written agreement a borrower signs to record the promise to repay the loan. The note lists the terms on which the borrower agrees to pay back the loan.

Proprietary school: A for-profit school, usually offering trade or technical programs two years or less in length.

EXHIBIT C

Figure 7:

Lower Dollar Default Rates for Borrowers At 4-Year Schools

- 2-year public: 21 %
- 2-year private: 15 %
- 4-year public: 9 %
- 4-year private: 8 %
- Proprietary: 34 %

Figure 8 shows that in our universe, 2-year public and proprietary school borrowers had a greater proportion of cumulative loan dollars in default (17 and 36 percent, respectively) when compared to their proportion of cumulative loan dollars received (11 and 14 percent, respectively).

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Middle States Association
of Colleges and Schools

3624 Market Street
Philadelphia, Pennsylvania 19104
Telephone 215/662-5606

DEC 11 1986
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December 8, 1986

Mr. Adrian G. Marcuse
Office of the President
Laboratory Institute of Merchandising
12 East 53rd Street
New York, New York 10022

EXHIBIT D

Dear President Marcuse:

At its meeting on December 6-7, 1986 the Commission on Higher Education acted to reaffirm the accreditation of the Laboratory Institute of Merchandising. The Commission notes that the Institute's Periodic Review Report will be due October 1, 1991. In the meantime, the Commission would appreciate being kept apprised of any changes or modification in the Bachelor of Professional Studies program which arise from further experience with it.

The Commission's records show the following description for the Laboratory Institute of Merchandising:

> Independent four-year college offering Bachelor in Professional Studies Degree in Fashion Merchandising, Associate in Applied Sciences and Associate in Occupational Studies Degree in Fashion Merchandising. Study abroad available in London, England and Paris, France.

If for any reason the above is inaccurate in any way please notify the Commission office immediately.

Please be assured of the Commission's continuing interest in developments at the Laboratory Institute of Merchandising, and if at any time the Commission or its Staff can be of assistance please feel free to call on us.

With all good wishes, I remain

Sincerely,

Edward V. Ellis

Edward V. Ellis
Chair

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A nonprofit association serving elementary, secondary and higher educational institutions through programs of self study, evaluation and accreditation and other developmental services

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JUN 13 1989

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, N.Y. 12230

DEPUTY COMMISSIONER FOR HIGHER AND CONTINUING EDUCATION

June 8, 1989

Adrian G. Marcuse, President
Laboratory Institute of Merchandising
12 East 53rd Street
New York, NY 10022

Dear President Marcuse:

I write to announce that the Division of Academic Program Review will conduct registration visits to public, independent, and proprietary two-year colleges, beginning fall 1990 and extending through spring 1992.

The purpose of the visits is to evaluate the colleges' programs and services in light of the academic standards of the *Commissioner's Regulations* and *Regents Rules*. We recognise that two-year colleges have a critically important role in higher education in New York State, preparing students for the workforce and for baccalaureate education.

The Division has identified four issues as central considerations for two-year colleges engaged in assessing their effectiveness. These issues, listed below, provide the framework for the overall review and the focus for the self-studies the colleges will be asked to conduct in preparation for this review:

- Identifying each student's needs and planning an appropriate course of study for each student;
- Providing effective instruction and maintaining strong expectations of effort and learning for all students;
- Providing sufficient resources and services to assist all students in achieving educational goals;
- Assessing the effectiveness of programs, services, and student learning.

I enclose a draft of the *Guide for Self-Study* developed for this review, and invite you to send your comments on this draft to Dr. Denis F. Paul, Assistant Commissioner for Higher Education Academic Review, by July 15, 1989.

Soon we will be inviting you, and any colleagues you would like to have join you, to an orientation session in Albany this fall, when the review process will be described and when there will be an opportunity to meet and talk with Department staff.

I will appreciate your support and continuing cooperation as we conduct this important review of programs and services at two-year colleges. With support from you and other leaders, we can, through this review, make progress that enhances the quality of this critically important component of higher education in New York State.

Sincerely,

Donald J Nolan

Donald J. Nolan

attachment

cc: Stanley Raub
Denis F. Paul
Kevin P. Reilly
Laudelina Martinez

MSA CHE COMMISSION ON HIGHER EDUCATION

Middle States Association
of Colleges and Schools

3624 Market Street
Philadelphia, Pennsylvania 19104
Telephone: 215/662-5606

June 27, 1988

Mr. Warren T. Schimmel
Office of the President
The Berkeley School of Westchester
West Red Oak Lane
White Plains, New York 10604

Dear President Schimmel:

At its sessions on June 22-24, 1988, the Commission on Higher Education acted to grant initial accreditation to The Berkeley School of Westchester. The Commission requests a report by April 1, 1990 demonstrating progress in developing and implementing an affirmative action plan, a plan for recruitment of non-traditional students (including men), and plans for institutional assessment and basic skills. The Berkeley School should note that any change in ownership or control would constitute a substantive change requiring a complete reassessment of the institution's status. As of now the next evaluation of The Berkeley School of Westchester will occur in 1992-93.

The Commission calls on the administration of The Berkeley School of Westchester to solve as quickly as possible the issue of security of student records.

The Commission commends the School for its thorough and candid self-study which, taken together with the excellent report of the evaluation team, should provide an agenda for action for the next five years.

The report of the evaluation team gave considerable evidence that a dedicated campus community has built a strong, viable collegiate institution.

On behalf of the Commission on Higher Education, I extend to you our warmest congratulations for having achieved this major goal on the road to academic excellence.

Accreditation applies to The Berkeley School of Westchester as described below. Should this description be inaccurate for any reason, please notify the Commission office at once.

> Independent (proprietary) business school offering Associate in Applied Science degree and certificate programs in secretarial, word processing, fashion marketing and management, fashion merchandising, and business administration. Continuing education courses offered in evening division.

A non-profit association serving elementary, secondary and higher educational institutions
through programs of self-study, evaluation and accreditation, and other developmental services.

Please be assured of the continuing interest of the Commission on Higher Education in the well-being of The Berkeley School of Westchester. If there is any way in which the Commission or its staff can be of service, please do not hesitate to be in touch with us.

Sincerely,

Sarah Rubin Blanshei

Sarah Rubin Blanshei
Chair

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msa COMMISSION ON HIGHER EDUCATION

Middle States Association
of Colleges and Schools

3624 Market Street
Philadelphia, Pennsylvania 19104
Telephone: 215/662-5606

February 4, 1988

Dr. Jack R. Jones
Office of the President
The Berkeley School, Garret Mountain
Box F
Little Falls, New Jersey 07424

Dear Jack:

I want to thank you and your colleagues for their hospitality, kindness, and stamina during the visit which Paula Mayhew and I made February 1-2, 1988. It was, as usual, a great personal pleasure to meet with all of my friends from Berkeley. And my special thanks to you for your graciousness in driving me all the way to Narberth on a rainy night.

Both Paula and I were impressed by the careful work and serious attention already given by the Steering Committee to the process of self-study and I look forward to reviewing the design when it is completed. In the meantime, I have noted that Garret Mountain will undertake a comprehensive self-study with emphasis on the branch campuses focusing especially on communication and integration.

Our tour of all of the New Jersey campuses and centers of The Berkeley Schools was enlightening and informative. As a result of that tour, I can tell you now that the accreditation of the Berkeley Schools, Garret Mountain Campus extends to the Bergen, Woodbridge, and Mount Laurel branches. That status will be reviewed as a part of the regular evaluation visit now scheduled for Fall of 1989. You should be in touch with Ms. Jacqueline Ciminera of the Commission with the details of each of the branches: addresses, phone numbers, names of the Directors, etc. so that all of this will appear in our next directory. May I also remind you to include information regarding the branches in your next Institutional Data Summary.

As you know, any change in ownership or control of The Berkeley Schools in New Jersey would constitute a substantive change requiring a complete reassessment of status.

I hope you will extend my warmest wishes to everyone at the New Jersey centers.

Sincerely,

Minna F. Weinstein, Ph.D.
Associate Director

c: Ms. Susan Ranzman
Mr. Larry L. Luing

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COMMISSION ON HIGHER EDUCATION

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3624 Market Street
Philadelphia, Pennsylvania 19104
Telephone: 215/662-5606

December 14, 1989

Dr. Richard Turan
Office of the President
The Briarcliffe School, Inc.
55 North Broadway
Hicksville, New York 11801

Dear President Turan:

I take great pleasure in informing you that at its session on November 29, 1989, the Commission on Higher Education acted to accept The Briarcliffe School, Inc. as a Candidate for Accreditation with the Middle States Commission on Higher Education.

For catalog and publicity purposes, the following statement may be quoted:

> Candidate for Accreditation is a status of affiliation with a regional accrediting commission which indicates that an institution has achieved initial recognition and is progressing toward, but is not assured of, accreditation. It has provided evidence of sound planning, seems to have the resources to implement the plans, and appears to have the potential for attaining its goals within a reasonable time.

Hereafter, The Briarcliffe School, Inc. will be listed as a Candidate for Accreditation in the Middle States Directory and also in the list of Accredited and Candidate Institutions published annually for the Council on Postsecondary Accreditation by the American Council on Education.

Candidacy applies to The Briarcliffe School, Inc. as described below:

> Two year (proprietary) college offering certificate programs and associate degrees in three locations: Hicksville, Lynbrook, and Patchogue, all on Long Island.

If for any reason this description is inaccurate, please notify the Commission office at once.

There are several responsibilities inherent in Candidate for Accreditation status as described in the candidacy document on pages 8 through 11, including a semi-annual report of progress which is followed by a visit from a Commission-appointed consultant. The initial semi-annual reports of progress are due April 1, 1990 and October 1, 1990.

The Commission has appointed as its consultant to the College, President Kenneth Woodbury, Harrisburg Area Community College, Harrisburg, PA 17110 (717-780-2341). President Woodbury has served the Commission on Higher Education in a variety of collegial capacities as team chair, Periodic Review Report reader and consultant. The Commission has directed President Woodbury to establish as priority issues for the first year of his consultancy the following areas: 1) continued Board development; 2) expansion of the role of faculty in curricular and governance areas; 3) library development and bibliographical instruction; 4) development of a comprehensive plan for the delivery of student services: advisement, tutoring, counseling, financial aid and health services; and, 5) initiation of a participatory planning process.

In addition, the institution's own Candidate Planning Document, taken in tandem with the excellent report of the Assessment Team, will provide the issues and areas for institutional effort during the period of candidacy.

Please accept the warmest congratulations of the Commission on Higher Education on the achievement of this major milestone. Should you have any questions or comments concerning this Commission action, please contact Dr. Paula Hooper Mayhew who serves as staff liaison to The Briarcliffe School, Inc.

Sincerely,

Sarah R. Blanshei

Sarah R. Blanshei
Chair

mr

M:BRIAR.phm

msa
COMMISSION ON HIGHER EDUCATION

Middle States Association
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3624 Market Street
Philadelphia, Pennsylvania 19104
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February 26, 1988

Dr. Stanley G. Cohen
Office of the President
Five Towns College
2165 Seaford Avenue
Seaford, New York 11783

Dear Dr. Cohen:

At its sessions on February 24-25, 1988, the Commission on Higher Education acted to accredit Five Towns College. The Commission has directed that the College work closely with Commission staff in order to continue the progress in planning which was initiated during the past two years. The Commission notes that the next evaluation will occur during 1992-93.

The Commission reminds Five Towns College that a change in ownership or control will occasion complete review of accredited status.

Accreditation applies to Five Towns College as described below. Should this description be inaccurate for any reason, please notify the Commission office at once.

> Independant (proprietary) college, career-oriented, offering associate degree and certificate programs.

On behalf of the Commission on Higher Education, may I extend to you our warmest congratulations on having reached this important milestone in the development of Five Towns College.

Please be assured of the continuing interest of the Commission on Higher Education in the well-being of Five Towns College. If there is any way in which the Commission or its staff can be of service, please do not hesitate to be in touch with us.

Sincerely,

Sarah R. Blanshei

Sarah R. Blanshei
Chair

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A non-profit association serving elementary, secondary and higher educational institutions through programs of self-study, evaluation and accreditation, and other developmental services.

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SOUTHERN ASSOCIATION OF COLLEGES AND SCHOOLS
COMMISSION ON COLLEGES
1866 Southern Lane • Decatur, Georgia 30033-4097
Telephone 404/329-6500 WATS 800/248-7701

January 22, 1991

Dr. Frank J. Tortoriello, Jr.
President
Miss Wade's Fashion Merchandising College
2300 Stemmons Freeway, P.O. Box 586343
Dallas Apparel Mart, Suite M5120
Dallas, TX 75258

Dear Dr. Totoriello:

It is a pleasure to inform you that your institution has satisfactorily completed the Institutional Self-Study Program and that its accreditation was reaffirmed by the Commission on Colleges at its meeting on December 10, 1990. We congratulate you, your faculty, and staff on this attainment.

Your institution is requested to submit a First Follow-Up Report, by October 15, 1991, which details progress in addressing the visiting committee's recommendations as cited in the following sections of the Criteria: Section 4.1.2 (Undergraduate Completion Requirements), Recommendation 5, regarding the development of competencies for programs as well as for courses; Section 5.2 (Library), Recommendation 10; Section 5.2.2 (Library Collections), Recommendation 11; Section 6.1.2 (Governing Board), Recommendation 15; Section 6.2.2 (Publications), Recommendation 16; and Section 6.4.4 (Facilities Master Plan), Recommendation 22. You should send the report, in quadruplicate, to Dr. G. Jack Allen, the staff member designated to work with your institution. Please be very specific in your response and provide supporting documentation wherever appropriate. The members of the Committee on Criteria and Reports asked that I call to your attention the attached Commission policy relating to progress and follow-up reports.

The Committee on Criteria and Reports for Institutions at Levels II-VI deferred action on the authorization of a Candidate Committee for Substantive Change to review third year professional certificates in Interior Design, Fashion Design, and Merchandising. The Commission policy concerning the review of institutions initiating post-associate degree studies has been referred to the Executive Council for reconsideration at its June meeting. Our office will contact you in June regarding the Council's and Commission's decision.

Dr. Frank J. Tortoriello, Jr.
January 22, 1991
page 2

We appreciate your participation in the activities of the Commission on Colleges. We hope you will call on us whenever we can be of assistance.

Sincerely,

James T. Rogers
Executive Director
Commission on Colleges

JTR/CL/bj

cc: Dr. G. Jack Allen

Enclosure

ASSOCIATION OF REGIONALLY ACCREDITED PRIVATE COLLEGES AND UNIVERSITIES
PROPOSAL NO. ONE

CURRENT LAW

TITLE XII Section 1201

Sec. 1201. As used in this Act-
(a) The term "institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association, or if not so accredited, (A) is an institution with respect to which the Secretary has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (B) is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term also includes any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provision of clauses (1), (2), (4), and (5).* Such term also includes a public or nonprofit private educational institution in any State which, in lieu of the requirement in clause (1), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located ~~and who meet the requirements of section 484(d) of this Act.~~** For purposes of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

* Suggested location of proposed amendment
** Eliminated by H.R. 1285
[4/26/91]

SUGGESTED AMENDMENT OR SUBSTITUTE

TITLE XII Section 1201

Section 1201(a) is amended -
(A) by inserting after the first sentence following the period after the word "accredited" and before the words "Such term" an additional sentence to read: "Such term also includes a degree-granting college or university so authorized by the responsible State education authority and which institution is accredited at the collegiate level by an accrediting agency recognized by the Secretary to accredit institutions at the collegiate level".

RATIONALE/EXPLANATION

TITLE XII Section 1201

Accreditation for proprietary degree-granting institutions is now an accepted practice among the regional bodies. It is no longer an aberration as it once was considered in 1958 when this definition in Title II of the National Defense Education Act was enacted. The definition has been amended several times and ARAPCU suggests that this proposal merely is in step with the current developments of higher education.

The proposal should not open any "floodgates". There are only some forty or fifty collegiate proprietary degree-granting institutions accredited by the regionals, a handful of colleges by the New York Board of Regents, and some AICS colleges. The measure might stimulate the Secretary's oversight of the practices of some of the specialized accrediting agencies which apparently do not object to degree-granting activities by schools not accredited as colleges or which hold dual accreditation at differing levels. The proposal is designed to exclude a school which might offer a degree but which is not accredited as a college or university.

The proposal also offers the opportunity to clearly articulate the particular purposes of any particular program which might be of subsidy grants or services under contract. The latter type of program such as the National Literacy Act of 1991 (H.R. 751) would have even greater potential if under contract it might also utilize legitimate institutions of higher education which are proprietary in corporate structure.

Currently, an institution which offers only a post graduate degree, Ph.D., Ed.D., or Masters, must qualify as a "vocational school" to avail its students of GSL access. This irregularity, be it paradoxical or anomalous, should be and could be corrected by this amendment.

For precedent the Committee may wish to refer to the statutory definition of an "institution of higher learning" in the GI Bill at 38 USC 1651(f) or a "standard college degree" in 1651(g) neither of which exclude proprietary colleges and universities. Also, the regulatory definition of an "institution of higher learning" in 42 CFR § 5 1a 2 in Public Health and definitions dealing with allied health in 42 USC 295 h-4(f) have no limitation to public or nonprofit institutions.

EXHIBIT E

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ASSOCIATION OF REGIONALLY ACCREDITED PRIVATE COLLEGES AND UNIVERSITIES
PROPOSAL NO. TWO

CURRENT LAW

TITLE XII Section 1201

Sec. 1201. As used in this Act-

(a) The term "institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's[1] degree or provides not less than a two-year program which is acceptable for full[2] credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association, or if not so accredited, (A) is an institution with respect to which the Secretary has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (B) is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term also includes any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provision of clauses (1), (2), (4), and (5). Such term also includes a public or nonprofit private educational institution in any State which, in lieu of the requirement in clause (1), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located ~~and who meet the requirements of section 484(d) of this Act.~~** For purposes of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

(1) Suggested location of proposed amendment A
(2) Suggested location of proposed amendment B
** Eliminated by H.R. 1285
(4/08/91)

SUGGESTED AMENDMENT OR SUBSTITUTE

TITLE XII Section 1201

Section 1201(a)(3) is amended -

(A) by striking out the word "bachelor's" and inserting in lieu thereof the words "an associate or higher".

(B) by striking out the word "full" and inserting in lieu thereof the words "substantial".

RATIONALE/EXPLANATION

TITLE XII Section 1201

(A) The unqualified requirement that the institution offer a "bachelor's" degree is inconsistent with the realities of the academic world. There are many free-standing professional and graduate schools which do not offer the bachelor's degree but which do offer degrees at the Master's and doctoral level including medicine, osteopathy, and divinity. Similarly there are a host of community and junior colleges which do not offer the bachelor's degree but offer as their highest degree the "Associate". Both categories of institution risk exposure at the hands of overzealous auditors or litigators as in the Age Discrimination in Employment Act (ADEA) which incorporates Section 1201(a) by reference.

The solution lies in using the phrase from the Veteran's legislation definition of a "standard college degree" in 38 USC 1651(g) which means an associate or higher degree which is awarded by an institution of higher learning that is accredited as a collegiate institution by a recognized regional or national accrediting agency.

(B) Substitute the word "substantial" for the term "full" in describing the two year program acceptable for credit towards a bachelor's degree. The COPA-ACE statement on "Transfer of Credit and Award of Academic Credit" carefully points out the great differences "between acceptance of credit for admission purposes and the applicability of credit for degree purposes". The present language seems to contemplate only evidence of full credit for the degree. Again, in the hands of an overzealous auditor the specter of ineligibility might be raised on this technicality. Further, we question whether the Department has or has ever maintained evidence that an institution not awarding the bachelor's degree in fact has any evidence that such non-bachelor's degree is acceptable for "full" credit towards the degree. The present language of the statute is cast not in terms of admission but of applicability towards the bachelor's degree. This potential for exposure is readily curable and should put at rest any doubts about the transferability of the credits whether for admission or applicability.

ASSOCIATION OF REGIONALLY ACCREDITED PRIVATE COLLEGES AND UNIVERSITIES
PROPOSAL NO. THREE

CURRENT LAW	SUGGESTED AMENDMENT OR SUBSTITUTE	RATIONALE/EXPLANATION
TITLE XII Section 1201	TITLE XII Section 1201	TITLE XII Section 1201
Sec. 1201. As used in this Act: A NEW SUBSECTION	Section 1201 is amended - (A) by adding a new subsection (n) to read "Credit hour means a method of measuring academic progress by which one credit, point, or other unit is granted for the satisfactory completion of a unit subject or course of study which requires at least 15 hours of classroom lecture and instruction of at least 50 minutes each, at least 30 hours of laboratory or shop activity of at least 50 minutes each, or 45 hours of externship for the award of a semester credit hour which basic measure shall be adjusted proportionally to translate the value of other academic calendars and formats of study such as quarter hours or trimester hours. The Department shall not discriminate among or between eligible institutions using the credit hour system on the basis of corporate form such as public, non-profit, or proprietary."	A statutory definition of the credit hour system of measuring academic progress is necessary because of the uneven and inconsistent administration by the Department. Thus, by statute it can be treated 'by properly observing generally accepted academic standards and principles such as those enunciated by the Handbook of Data and Definitions (1982) published by The American Association of Collegiate Registrars and Admissions Officers (AACRAO). Additionally, the precedent for a statutory definition lies in the long time definition in the Veteran's legislation of 38 USC § 1788. Also, the regulatory definition of the credit hour by the State of New York, Title 8 Education § 50.2(o) and § 50.3(a) provide an example for stability of administration and predictability apparently not available from the Department. Because the principle at issue may involve more than student aid we propose this amendment by adding a new subsection (n) to Section 1201 rather than as a new subsection to Section 481.

(4/08/91)

EXHIBIT F

Figure I.7:

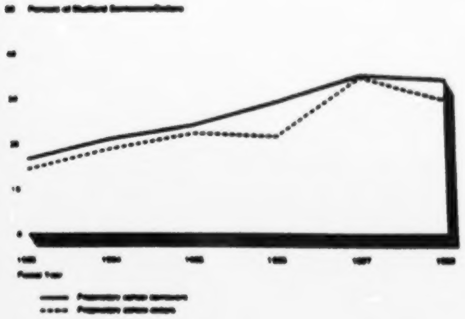
GAO

What Were the Nine Defaulter Characteristics?

- Attended vocational/trade school
- Had low income
- Had little or no financial support from others
- Had minority background
- Lacked high-school diploma
- Failed to complete program
- Attended 1 year or less
- Borrowed small amounts
- Unemployed at time of default

EXHIBIT G

Figure 2: Proprietary School Borrowers Are Receiving An Increasing Share of Stafford Loans



The default rate for proprietary school borrowers is greater than the rate for borrowers from other schools. In July 1989 we reported[4] that while proprietary school borrowers comprised about 22 percent of borrowers who received their last loan in 1983, they accounted for 44 percent of defaults as of September 30, 1987. Over that 4-year period, student default rates for the five kinds of schools ranged from 10 percent for 4-year public and private schools, to 39 percent for proprietary schools. The Department of Education reported similar results in two recent studies of school default rates. Both studies determined which borrowers, by kind of school, were in default after entering repayment. The results

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[4] Guaranteed Student Loans: Analysis of Student Default Rates At 7,800 Postsecondary Schools, GAO/HRD-89-63BR, July 5, 1989.

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EXHIBIT H

(B) **Inflation adjustment.**—In the case of any taxable year beginning in a calendar year after 1989, each dollar amount contained in subparagraph (A) shall be increased by an amount equal to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting "calendar year 1989" for "calendar year 1987" in subparagraph (B) thereof.

(C) **Rounding.**—If any amount as adjusted under subparagraph (A) or (B) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50 (or if such amount is a multiple of $25, such amount shall be rounded to the next highest multiple of $50).

(c) **Definitions.**—For purposes of this section—

(1) **Qualified United States savings bond.**—The term "qualified United States savings bond" means any United States savings bond issued—

(A) after December 31, 1989,

(B) to an individual who has attained age 24 before the date of issuance, and

(C) at discount under section 3105 of title 31, United States Code.

(2) **Qualified higher education expenses.**—

(A) **In general.**—The term "qualified higher education expenses" means tuition and fees required for the enrollment or attendance of—

(i) the taxpayer,

(ii) the taxpayer's spouse, or

(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151,

at an eligible educational institution.

(B) **Exception for education involving sports, etc.**—Such term shall not include expenses with respect to any course or other education involving sports, games, or hobbies other than as part of a degree program.

(3) **Eligible educational institution.**—The term "eligible educational institution" means—

(A) an institution described in section 1201(a) or subparagraph (C) or (D) of section 481(a)(1) of the Higher Education Act of 1965 (as in effect on October 21, 1988), and

(B) an area vocational education school (as defined in subparagraph (C) or (D) of section 521(3) of the Carl D. Perkins Vocational Education Act) which is in any State (as defined in section 521(27) of such Act), as such sections are in effect on October 21, 1988.

excludes proprietary Sec. 481(a)(1)(A)

(4) **Modified adjusted gross income.**—The term "modified adjusted gross income" means the adjusted gross income of the taxpayer for the taxable year determined—

(A) without regard to this section and sections 911, 931, and 933, and

(B) after the application of sections 86, 469, and 219.

(d) **Special rules.**—

(1) **Adjustment for certain scholarships and veterans benefits.**—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

(A) a qualified scholarship which under section 117 is not includable in gross income,

(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or

(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to attendance at an eligible educational institution, which is exempt from income taxation by any law of the United States.

(2) **No exclusion for married individuals filing separate returns.**—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and his spouse file a joint return for the taxable year.

(3) **Regulations.**—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring record keeping and information reporting.

(Added Pub.L. 100-647, Title VI, § 6009(a), Nov. 10, 1988, 102 Stat. 3688, and amended Pub.L. 101-239, Title VII, § 7816(e)(2), Dec. 19, 1989, 103 Stat. 2420.)

HISTORICAL AND STATUTORY NOTES

Revision Notes and Legislative Reports

1989 Act. House Report No. 101-247 and House Conference Report No. 101-386, see 1989 U.S. Code Cong. and Adm. News, p. ——

References in Text

The Higher Education Act of 1965, referred to in subsec. (c)(3)(A), is Pub.L. 89-329, Nov. 8, 1965, 79 Stat. 1219, as amended. Section 1201(a) of such Act is classified to section 1141(a) of Title 20, Education. Subparagraph (C) or (D) of section 481(a)(1) of such Act is classified to section 1088(a)(1)(C), (D) of Title 20. For complete classification of this Act to the Code, see Tables.

The Carl D. Perkins Vocational Education Act, referred to in subsec. (c)(3)(B), is Pub.L. 88-210, as added Pub.L. 98-524, Oct. 19, 1984, 98 Stat. 2435, and amended. Subpar. (C) or (D) of section 521(3) of such Act is classified to section 2471(3)(C), (D) of Title 20, Education, and section 521(27) of such Act is classified to section 2471(27) of Title 20. For complete classification of this Act to the Code, see Short Title note set out under section 2301 of Title 20 and Tables.

Effective Dates

1989 Act. Amendments by part I of subtitle H of Title VII (§§ 7811 to 7816) of Pub.L. 101-239 to take effect as if included in the provisions of Pub.L. 100-647 to which such amendment relates, see section 7817 of Pub.L. 101-239, set out as a note under section 1 of this title.

1988 Act. Section applicable to taxable years beginning after Dec. 31, 1989, see section 6009(d) of Pub.L. 100-647, set out as a note under section 86 of this title.

Prior Provisions

A prior section 135 was renumbered section 136 of this title.

Personal Assistance with Tuition Stamp Study

Section 6009(e) of Pub.L. 100-647 provided that: "The Secretary of the Treasury or his delegate, after consultation with the Secretary of Education or his delegate, shall conduct a study of the feasibility of using stamps or similar programs to encourage and facilitate savings by persons towards the purchase of Series EE bonds eligible for the exclusion provided under the amendments made by this section [enacting this section and renumbering former section 135 as 136 of this title, amending sections 86, 219, and 469 of this title, and enacting provisions set out as notes under this section and section 86 of this title]. Not later than December 31, 1989, the Secretary of the Treasury or his delegate shall submit the results of such study, together with any recommendations deemed appropriate, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate."

Promotion of Public Awareness of Program

Section 6009(b) of Pub.L. 100-647 provided that: "The Secretary of the Treasury or his delegate shall take such actions as may be necessary to make the general public aware of the program established by this section."

LIBRARY REFERENCES

American Digest System

Interest received as taxable income, see Internal Revenue ⟹3122.

Encyclopedias

Interest received as taxable income, see C.J.S. Internal Revenue §§ 71, 89, 93.

WESTLAW ELECTRONIC RESEARCH

Internal revenue cases: 220k[add key number].

§ 136. Cross references to other acts

(a) For exemption of—

(1) Allowances and expenditures to meet losses sustained by persons serving the United States abroad, due to appreciation of foreign currencies, see section 5943 of Title 5, United States Code.

(2) Amounts credited to the Maritime Administration under section 9(b)(6) of the Merchant Ship Sales Act of 1946, see section 9(c)(1) of that Act (50 U.S.C.App. 1742).

(3) Benefits under laws administered by the Veterans' Administration, see section 3101 of title 38, United States Code.

(4) Earnings of ship contractors deposited in special reserve funds, see section 607(d) of the Merchant Marine Act, 1936 (46 U.S.C. 1177).

(5) Income derived from Federal Reserve banks, including capital stock and surplus, see section 7 of the Federal Reserve Act (12 U.S.C. 531).

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(2) any student financial assistance awarded based on need as determined in accordance with the provisions of this part, including any income earned from work under part C of this title.

(g) Assets.—The term "assets" means cash on hand, including the amount in checking and savings accounts, time deposits, money market funds, trusts, stocks, bonds, other securities, mutual funds, tax shelters, and the net value of real estate, income producing property, and business and farm assets.

(h) Net Assets.—The term "net assets" means the current market value at the time of application of the assets included in the definition of "assets", minus the outstanding liabilities or indebtedness against the assets.

(i) Treatment of Income Taxes Paid to Other Jurisdictions.—(1) The tax on income paid to the Governments of the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, or the Northern Mariana Islands, or the Trust Territory of the Pacific Islands under the laws applicable to those jurisdictions, or the comparable tax paid to the central government of a foreign country, shall be treated as Federal income taxes.

(2) References in this part to the Internal Revenue Code of 1986, Federal income tax forms, and the Internal Revenue Service shall, for purposes of the tax described in paragraph (1), be treated as references to the corresponding laws, tax forms, and tax collection agencies of those jurisdictions, respectively, subject to such adjustments as the Secretary may prescribe by regulation.

(20 U.S.C. 1087vv) Enacted October 17, 1986, P.L. 99–498, sec. 406(a), 100 Stat. 1472; amended June 3, 1987, P.L. 100–50, sec. 14(23), 101 Stat. 353–355; amended July 18, 1988, P.L. 100–369, sec. 7(b), 102 Stat. 837.

Part G—General Provisions Relating to Student Assistance Programs

DEFINITIONS

Sec. 481. (a) Institution of Higher Education.—(1) For the purpose of this title, except subpart 6 of part A and part B, the term "institution of higher education" includes, in addition to the institutions covered by the definition contained in section 1201(a)—

(A) a proprietary institution of higher education;

(B) a postsecondary vocational institution;

(C) a department, division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing; and

(D) a department, division, or other administrative unit in a junior college, community college, college, or university which provides primarily or exclusively an accredited 2-year program of education in professional nursing and allied subjects leading to an associate degree in nursing or to an equivalent degree.

(2) The term "accredited" when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purpose by the Secretary.

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HOUSE CONF. REP. NO. 100-1104

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10. Education savings bonds and modification of student dependency exemption

a. Education savings bonds

Present Law

An exclusion from gross income, or deferral of taxation, for interest or other income is not allowable because the taxpayer uses the income specifically for educational expenses.

Taxation of interest accruals on U.S. Series EE savings bonds may be deferred by cash-basis taxpayers until transfer of ownership or redemption of the bonds.

House Bill

No provision.

Senate Amendment

Interest income earned on a qualified U.S. Series EE savings bond is excluded from gross income, if, instead of being redeemed, the bond is transferred to an eligible educational institution as payment of qualified educational expenses, i.e., tuition and required fees, for a taxpayer, or taxpayer's spouse or dependents. The amount of exclusion allowed for a taxable year is the lesser of (1) the amount that otherwise is includible in gross income by reason of such transfer, or (2) the amount of such higher education expenses.

The exclusion is phased out for a taxpayer with adjusted gross income (AGI) of $60,000 or more for the taxable year; no amount is excludible by a taxpayer whose AGI is $80,000 or more. For a taxpayer with AGI between $60,000 and $70,000, 67 percent of the eligible amount is excludible; for AGI between $70,000 and $80,000, 34 percent of the eligible amount is excludible. In the case of a married individual filing separately, the phaseout amounts are one-half of those described. The phase-out amounts are indexed in calendar years after 1988.

With respect to a taxpayer who is a dependent of another taxpayer, the phaseout is applied by taking into account the AGI of both taxpayers.

Present law is amended to allow (1) transfer of a U.S. savings bond to an eligible educational institution and (2) redemption of such bond by such institution for the educational purposes of this provision.

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An eligible educational institution is defined in the Higher Education Act of 1965 (sec. 1201(a) or 481(a)), or in the Carl D. Perkins Vocational Education Act (subparagraph (C) or (D) of sec. 521(3)).

The provision is effective for transfers of qualified U.S. savings bonds issued after the date of enactment.

Conference Agreement

The conference agreement follows the Senate amendment with the following changes.

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The exclusion from gross income of interest on U.S. Series EE savings bonds is available only for individuals who have purchased, after having attained age 24, and are sole owners of the bonds, or who own such bonds jointly with their spouse. The exclusion is not available to an individual who is the owner of a Series EE bond which was purchased by another individual, other than a spouse. Under this rule, interest on bonds purchased by an individual to be redeemed in (say) 10 years when a dependent of the individual attends a college is eligible for the exclusion. However, the exclusion will not be allowable if bonds are purchased by a parent and put in the name of the child or another dependent of the taxpayer, or if bonds are purchased by any individual who is under age 24 at the time of purchase.

Savings bonds are to be redeemed by the owner, rather than being transferred to the educational institution. If the aggregate redemption amount, i.e., principal plus interest, of all Series EE bonds redeemed by the taxpayer during the taxable year does not exceed the amount of the student's qualified educational expenses, all interest for the year on the bonds is excludible subject to the AGI phaseout; for example, when the redemption amount is $8,000 ($4,000 principal and $4,000 accrued interest) and qualified educational expenses are $9,500, the redemption amount exceeds the qualified educational expenses and all $4,000 interest in the redemption amount is excludible from income. If the redemption amount exceeds the qualified educational expenses, the amount of excludible interest is reduced on a pro rata basis, i.e., the ratio of qualified educational expenses to the sum of principal and interest on all Series EE bonds redeemed during the taxable year. For example, if the redemption amount is $8,000, consisting of $4,000 each principal and interest, and qualified educational expenses are $6,000, the ratio of expenses to redemption amount is 75 percent, and $3,000 of the interest received in the course of redemption is excludible from income.

Qualified educational expenses mean tuition and required fees net of scholarships, fellowships, employer provided educational assistance (sec. 127), and other tuition reduction amounts. The expenses must be incurred by the taxpayer, spouse, or dependent during the year of redemption. Such expenses do not include expenses with respect to any course or other education involving sports, games, or hobbies, other than as part of a degree or certificate granting program.

Eligible educational institutions are defined in sec. 1201(a) and 481(a)(1) (C) and (D) (i.e., nursing schools) of the Higher Education Act of 1965, as in effect on October 21, 1988, and in the Carl D. Perkins Vocational Education Act (subparagraph (C) or (D) of sec. 521(3)), as in effect on October 21, 1988. An eligible educational institution does not include proprietary institutions.

no proprietary

The phaseout ranges are modified. For joint returns, the phaseout range is for modified AGI from $60,000 to $90,000, and from $40,000 to $55,000 for single taxpayers and heads of households. Married taxpayers who file separate returns are not eligible for the exclusion. Modified AGI means the sum of the adjusted gross income of the taxpayer for the taxable year, the partial inclusion of social security and tier 1 railroad retirement benefits (sec. 86), the adjustments for contributions of retirement savings (sec. 219), and adjustments with respect to limitations of passive activity losses and credits (sec. 469), and, without regard to this section, the gross income earned by citizens or residents of the United States living abroad (sec. 911), and income from sources within Guam, American Samoa, the Northern Mariana Islands, and Puerto Rico (secs. 931 and 933).

The phaseout rate for the exclusion is applied gradually over the income phaseout range, as is the case with other income phaseouts under present law.

The amounts of AGI that determine the phaseout range are indexed beginning in 1990. Such adjustments will be rounded to the nearest $50.

The conference agreement authorizes the Secretary of the Treasury to prescribe recordkeeping, information reporting and bond redemption procedures with regard to the responsibilities of both the Bureau of Public Debt and the Internal Revenue Service. Such authority includes modifying the forms that are filled out when bonds are redeemed to provide reporting specifically of both principal and interest components of the redemption amount, an indication that the redemption amount is intended for payment of qualified educational expenses, and the issuance date of the bond. The regulations also may prescribe appropriate requirements for substantiation of the amount of qualified educational expenses incurred during the year. The Secretary is also directed to take such steps as may be necessary to make the general public aware of this program.

The amendments made by provision apply to taxable years beginning after December 31, 1989. The term qualified United States Series EE savings bond means any United States savings bond issued after December 31, 1989, at discount under section 3105 of title 31, United States Code and to interest earned on bonds issued on and after January 1, 1990, to the purchaser-owner of the bonds. The exclusion is not available for any bonds which might be obtained as part of a tax-free rollover of matured Series E savings bonds into Series EE savings bonds.

Under the conference agreement, the Treasury Department, after consultation with the Department of Education, shall conduct a study of the feasibility of utilizing stamp or similar programs to encourage and facilitate savings by parents toward purchase of Series EE bonds eligible for exclusion under the provision. The Treasury Department shall submit the results of the study, together with any recommendations as deemed appropriate, to the taxwriting committees by December 31, 1989.

b. Dependency exemption for certain students

Present Law

A taxpayer generally may not claim a dependency exemption for a dependent whose gross income for the year exceeds the exemption amount ($1,950 in 1988). However, this gross income test does not apply if the dependent is (1) a child of the taxpayer and (2) a full-time student at a qualified educational organization, regardless of the student's age.

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